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ABSTRACT

This individualized course in consumer education is comprised of eight units of instruction: (1) Get a Grip on Your Money, (2) Banking and You, (3) A Place to Live, (4) Wheels, (5) Car Insurance, (6) The Marketplace, (7) Your Insurance Dollar, and (8) Consumer's Bill of Rights. Each unit begins with a Unit Learning Experience Guide that gives directions for unit completion. The remainder of each unit consists of Learning Activity Packages (LAP) that provide specific information for completion of a learning activity. Each LAP is comprised of the following parts: objective, evaluation procedure, resources, procedure, supplemental sheets, study guide, and a LAP test with answers. The course is preceded by a pretest which is designed to direct the student to units and performance activities. (LRA)

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MOUNTAIN PLAINS LEARNING EXPERIENCE GUIDE:

Consumer Education.

CE 027 784

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Student: ______________________ File Code: 61.01.01.00

Date: ______________________ Date Published: 7-24-79

Family Education Program

UNIT TEST: GET A GRIP ON YOUR MONEY

61.01.01.01

1. A budget should be:

   a. changed every month.
   b. never followed.
   c. frequently re-evaluated.
   d. changed only if necessary.

2. Which of the following is not a goal:

   a. never telling the truth.
   b. to finish your occupation.
   c. to save money.
   d. to pay bills.

3. Which of the following is not a value:

   a. wanting leisure.
   b. wanting good grades.
   c. to finish the week in school.
   d. to wear clean clothes.

4. Where should savings be on your budget?

   a. 3rd
   b. 1st
   c. last
   d. 5th

5. A budget:

   a. takes the job out of spending
   b. is a financial plan.
   c. everyone needs.
   d. should not be set up.

61.01.01.02

6. What is a need:

   a. something you want.
   b. something you want to you can be equal with the Jones.
   c. something that you have to have to accomplish a project.
   d. something that everyone has.

61.01.01.02 (continued)

7. A fishing pole represents:

    a. a basic need.
    b. both basic need and wants.
    c. a basic want.
    d. neither a want nor a need.

8. Why is it important to know what a want is:

    a. to know that you do not need to buy everything you see.
    b. something that is not necessary.
    c. to save money.
    d. so you can tell if you really need the item or not.

9. It is important to discuss needs and wants with your family:

    a. never.
    b. always.
    c. sometimes.
    d. only when you have extra money.

10. A place to live represents:

    a. one of your basic wants.
    b. both needs and wants.
    c. one of your basic needs.
    d. none of the above.

61.01.01.03

11. Which is not a fixed expense:

    a. Cable TV payments.
    b. rent.
    c. food bills.
    d. mortgage payments.

12. Fixed expenses:

    a. can be reduced.
    b. always stay the same.
    c. are only two months in length.
    d. change as styles change.

13. Fixed expenses:

    a. vary from year to year.
    b. change constantly.
    c. stay the same every month.
    d. change every time you buy something.

61.01.01.03 (continued)

14. What is a discretionary expense:

    a. an amount that is always the same.
    b. an amount that varies sometimes.
    c. an amount that is never the same.
    d. none of the above.

15. Which category of expense is more important than the others:

    a. fixed expenses.
    b. slightly fixed expenses.
    c. discretionary expenses.
    d. they are all equal.

61.01.01.04

16. What is an example of a moderately flexible expense:

    a. air conditioning in your home.
    b. a radio.
    c. a silk shirt.
    d. a new stove to replace the old one.

17. When the set of plans for a budget are put in logical order, what is last?

    a. savings for future expenses.
    b. income from every source.
    c. outgo for flexible expenses.
    d. savings for future expenses.

18. The third step in making a budget is:

    a. revise your expenses.
    b. list your values, goals and wants.
    c. keep track of your expenses for a time period.
    d. make decisions based on your values.

19. Example of an absolutely flexible expense:

    a. two refrigerators.
    b. a rug for a bare floor.
    c. a stove.
    d. an umbrella.

20. Which of the following is the best example of a slightly flexible expense:

    a. rent payments.
    b. color TV.
    c. new refrigerator.
    d. better quality clothes.

61.01.01.00

UNIT TEST ANSWER KEY: GET A GRIP ON YOUR MONEY

61.01.01.01

1. D
2. A
3. C
4. B
5. B

61.01.01.02

6. C
7. C
8. A
9. B
10. A

61.01.01.03

11. C
12. B
13. C
14. C
15. D

61.01.01.04

16. D
17. A
18. B
19. A
20. D

**Family
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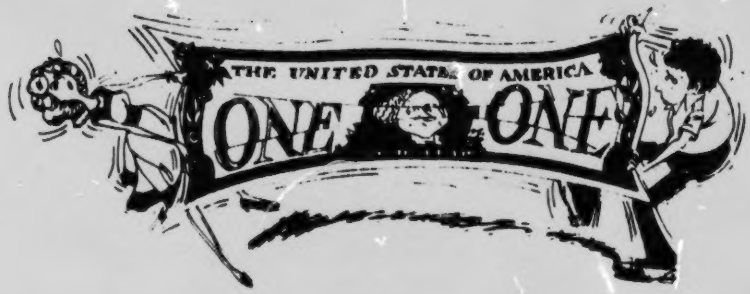
GET A

GRIP

ON YOUR MONEY


THE UNITED STATES OF AMERICA
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File Code: 61.01.01.00
Date Published: 5-22-79

Learning Experience Guide

UNIT: GET A GRIP ON YOUR MONEY

RATIONALE:

An overview of the main principles of money management will provide basis for sound financial planning.

PREREQUISITES:

None

OBJECTIVES:

Apply the principles of money management to individual family budget by keeping an adequate financial plan.

RESOURCES:

Instructor prepared study guides and LAP
Filmstrip: Marriage and Money
Filmstrip: Money Talks
Family Budget Forms
Pamphlet: Money Management
Tape: Budget and Reality
Tape: The Budget -- Today and Tomorrow

*Optional reading: Journal of Home Economics, Winter, 1978: Families in Transition, Four Case Studies.

GENERAL INSTRUCTIONS:

1. Read LAP and do study guides as required.
2. Listen to tapes as indicated.
3. Complete LAP tests with 80% accuracy.
4. If you have any problems with the material, reread sections which present the information.
5. Ask instructor for help if problem continues.

PERFORMANCE ACTIVITIES:

If you run into something that you're not sure about, go back and reread the information. They if you are still not sure, ask for help. Do not try to proceed through the LAP if you don't understand all you have covered.

Principal Author(s): Christine Olson

Family Training Center, Inc.

EVALUATION PROCEDURES:

1. Completion of LAP activities.
2. Completion of LAP tests with 80% accuracy.
3. Completion of Unit test with 80% accuracy.

Introduction --

"Budget? Yuk! But then I never have enough money to do what I really want to do. Maybe there is a better way."

This LAP will help you find a better way to do what you want with your money. You will find out about the problems behind the budget; meeting needs and then wants, working with your values and determining the goals that are related to these values, making decisions, selecting fixed and flexible expenses and how they can be changed, and working on different forms for budgets.

Overview --

The excitement of living increases as you learn to solve your problems and achieve your goals. One problem everyone has is making decisions about how they are going to spend their money. Some people spend everything they have without giving any thought to what they really want. Most have some idea where their money goes, but still aren't satisfied with how they're doing. People who have a plan for spending their money get more of the things they really want.

This plan is called a budget and not only does it help meet immediate and future goals, but it is also a record-keeping device for income tax and other purposes. It can be very simple and kept in one's head, or it may be complex and involve making projections based on keeping track of every penny spent.

Budgeting --

The word has you thinking of images of nickles and dimes in neat little stacks, or alphabetized envelopes containing the money to pay off recurring bills. It's something you've heard a lot about, but it never works for you. Budgeting is for other people.

This packet will help you form a spending plan, not a budget.

Competency --

You will be able to complete the steps to making a budget that works for you.

1. Identification of your values and goals.
2. Being able to list the steps of the decision-making process.
3. Being able to determine between needs and wants.
4. Being able to list items that are fixed and items that are flexible.
5. Being able to properly use the steps in making a budget.

Assignment --

Read the cover page of the LAP, then proceed to the reading of the text doing the exercises inclosed with the help of the resources.

Family Education Program

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Learning Activity Package

Student: __________

Date: __________

PERFORMANCE ACTIVITY: Identification of Your Values and Goals

OBJECTIVE:

Establish a list of your short and long term goals which have been identified through the attitude inventory, LAP study guide and your needs and interests.

EVALUATION PROCEDURE:

1. Completion of LAP study guides.
2. A written list of your long and short term goals.
3. Complete LAP test with 80% accuracy.

RESOURCES:

Attached: "Money Management Attitudes"
Attached: "Identification of Your Values and Goals"
Filmstrip: "Marriage and Money" - Educational Services, American Council of Life Insurance, Washington, D.C.

PROCEDURES:

1. Complete the Money Management Attitude Inventory and score according to directions.
2. Pick two of the attitudes mentioned on the Attitude Inventory that are part of your goals and tell how they are.
3. View filmstrip, "Marriage and Money." Answer questions from filmstrip on Activity #2.
4. Read attached resources: "Identification of Your Values and Goals."
5. Complete all study guides included in the LAP.
6. Have instructor validate materials from checklist.
7. Complete Lap Tests with 80% accuracy.

Principal Author(s): Christine Olson

MONEY MANAGEMENT ATTITUDES

Directions: Read each of the statements below and then rate them as follows:

A -- Strongly Agree
a -- Mildly Agree
d -- Mildly Disagree
D -- Strongly Disagree

Indicate your opinion by drawing a circle around the "A" if you strongly agree, around the "a" if you mildly agree, around the "d" if you mildly disagree and around the "D" if you strongly disagree. It is very important that you give your opinion of all statements.

A a d D 1. A budget takes the joy out of spending.

A a d D 2. Most people could save some money if they tried, even with the high prices we now have.

A a d D 3. Using a spending plan takes too much time and is too much trouble.

A a d D 4. Some poor people can't afford to have a budget.

A a d D 5. It is so easy to buy on credit that the average American family is being pushed into bankruptcy.

A a d D 6. A budget should be frequently re-evaluated and changed, if necessary.

A a d D 7. If you need something, it is okay to charge it, even if you don't know how you will pay for it.

A a d D 8. A budget is a good help in being prepared to meet occasional large expenses like insurance premiums or auto repairs.

A a d D 9. If the husband makes an average living, it is up to the wife to see that the money is stretched to cover expenses.

A a d D 10. Model budgets recommended by experts and based on statistics are the best to use to guide one's own family.

A a d D 11. If we just had about 10% more income, problems with money would be solved.

A a d D 12. Keeping a budget forces a person to cut down on expenses for recreation.

A a d D 13. It is smart to think about a purchase for a few days before deciding to buy it.

A a d D 14. Using a budget forces you to save your money instead of buying the things you want to buy.

A a d D 15. To borrow money to pay off a lot of bothersome debts is usually a dangerous practice.

A a d D 16. A spending plan can help you manage your money, even though prices are rising so high and so fast.

A a d D 17. The seller is responsible for selecting the people to whom he gives credit. If he thinks my credit is okay, then it is his fault if I can't make the payments.

A a d D 18. Buying on credit is a good way to force yourself to budget for what you want.

A a d D 19. It makes sense to try to plan your spending in advance, even if you can't tell what you'll need when the time comes.

A a d D 20. It is smart to buy major purchases at businesses where the credit arrangements are easy.

SCORING

Reversed on the bottom of this page are the scoring factors for this money management attitudes survey. The highest possible score is 80. The closer your score is to 80, the more carefully you manage your money. For eact statement, note the letter that you circled and find the points that are allotted for that answer.

1. A-1, a-2, d-3, D-4
3. A-1, a-2, d-3, D-4
5. A-1, a-2, d-3, D-4
7. A-4, a-3, d-2, D-1
9. A-1, a-2, d-3, D-4
10. A-1, a-2, d-3, D-4
12. A-1, a-2, d-3, D-4
14. A-1, a-2, d-3, D-4
16. A-4, a-3, d-2, D-1
18. A-1, a-2, d-3, D-4
20. A-1, a-2, d-3, D-4

2. A-4, a-3, d-2, D-1
4. A-1, a-2, d-3, D-4
6. A-4, a-3, d-2, D-1
8. A-4, a-3, d-2, D-1
11. A-1, a-2, d-3, D-4
13. A-4, a-3, d-2, D-1
15. A-4, a-3, d-2, D-1
17. A-1, a-2, d-3, D-4
19. A-4, a-3, d-2, D-1

Activity #1 -- Pick two attitudes that are part of your goals and tell how.

1.

2.

MARRIAGE AND MONEY QUESTIONS FROM FILMSTRIP STUDY GUIDE:

Activity #2 --

1. The danger of becoming dependent on Anne's earrings. Do you consider this a danger or don't you? Give your opinion and your reason to this question.

Activity #2 (continued)

2. Having a baby need not interfere seriously with Anne's career or with the Gibson's financial situation -- How do you feel about this statement?

3. On the list of categories for the Gibson's, how would you change it if the list was for you and your family?

4. When dividing their budget into categories, the Gibson's placed "savings" and "insurance" high on the list. Do you think they use good judgement? Explain your answer.

5. How might a young couple's insurance plans change when they have a child?

6. What do you think about going to relatives and friends to borrow large sums of money?

7. Jerry didn't seem to question the future prospects of the service station business. What do you think of its prospects? Should Jerry have investigated the possibility that the station's location might decline in value? What other things should he have examined?

IDENTIFICATION OF YOUR VALUES AND GOALS

A value has a basic effect on your general outlook on life. Values are deeply held feelings about things that are very important to you. Usually they are expressed by words not easily defined, such as: love, security, leisure, adventure, etc. Values are usually general and will affect your reaction to everything in your life. They involve your emotions. You may have different values as you grow older, and the importance of things may change as you gain new experiences.

To help you rate your values, on the following page, put the following values in order by numbering the one most important to you; number one and so on. You may add some to this list and you need not give numbers to the values below which mean nothing to you.

Activity #3 -- Rating your values --

attractiveness
comfort
security
education
recreation
health
status
family
charity
religion
honesty
conformity
freedom
loyalty
practicality
luxury
individuality
economy
maturity
friends

Were there some values you did not know the meaning of? If so, list them here -- and look them up in the dictionary.

____________________ --

____________________ --

____________________ --

____________________ --

____________________ --

____________________ --

Your goals in life, whether large or small, are influenced by your values. Say, for instance your goal is to finish the FTC program for your occupation. One of your values may be to be educated or perhaps you are really after security or training. Any or all of these values could be the reason, or reasons, for wanting to go to finish your occupation.

Goals are usually divided into two stages: long-term and short-term

In order to achieve all your goals, you will need to work towards them in an organized way. If your long-term goal is to pay off your bills and your short-term goals are to buy new records, get some new clothes, you are going to have to be careful that the money you spend on your short-term goals does not wipe out the money you need to save to pay off your bills.

Activity #4 -- Your goals --

Make a list of three of your short-term goals and one of your long-term goals below.

Short-term: 1.

2.

3.

Long-term: 1.

THE INFLUENCE OF VALUES AND GOALS

STUDY SHEET

Activity #5

Look back at your list of values. Write how one of your three most important values, it may be a different one in each case, is related to each of the goals you have just written down.

Short-term:

Long-term:

Knowing and organizing your values and goals is absolutely necessary if you are going to plan a budget that will assist you in getting what you really want. Review what you've written on this page and be sure you understand what values and goals are.

LAP Checklist

Act.	Date Compl.	Instr.
1.		
2.		
3.		
4.		
5.		

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Family Education Program

Learning Activity Package

Student: ____________

Date: ____________

PERFORMANCE ACTIVITY: Determining Between Needs and Wants

OBJECTIVE:

The student will complete exercises from which a family financial plan will be established; based on needs and wants of all the family members.

EVALUATION PROCEDURE:

1. Completion of LAP study guides according to checklist.
2. Written family financial plan based on needs and wants of individual family members.
3. Complete LAP test with 80% accuracy.

RESOURCES:

Attached: "Determining Between Needs and Wants"
Cassette tape: "Budgets and Reality" - Audio Magnetics Corporation, Gardenia, CA.

PROCEDURES:

1. Listen to cassette tape: "Budgets and Reality".
2. Read LAP, "Determining Between Needs and Wants".
3. Complete all LAP study guides.
4. Complete the "Dream Cloud" exercise with family members by writing family financial plan.
5. Have instructor validate materials from checklist.
6. Complete LAP Tests with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

DETERMINING BETWEEN "NEEDS" AND "WANTS"

Everyone has their own needs and wants. Some basic needs are shared by everyone: food to eat, clothes to wear, and a place to sleep. After food, clothes and shelter, people's needs and wants vary depending on many things -- values, age, sex, lifestyle, where the person lives. The reason you separate your needs and wants is that you must budget enough money to pay for your needs; before you spend your money on your wants.

Activity #1 -- General survey on money spent -- Study Guide

Using the following list of things to spend money on, survey at least three people. Ask them whether they think each item is a need or a want. Tally each response under the columns; needs, wants or neither.

	Needs	Wants	Neither
1. A pair of jeans			
2. A bed			
3. A candy bar			
4. A place to live			
5. A record player			
6. A T-bone steak dinner			
7. Dancing lessons			
8. A coat			
9. A trip to the dentist			
10. Food			

Were there some things that had more needs votes than others? Notice how people's needs and wants vary.

Activity #2 -- Dream Cloud Study Guide.

Fill in the following statements in your own words.

Write your definition of a need:

Activity #2 (continued)

Write in your own words a definition of a want.

Why is it important to know the differences between needs and wants to make a workable spending plan.

Write four of your own needs and four of your own wants:

1.

2.

3.

4.

Activity #3 -- Dream Cloud Exercise

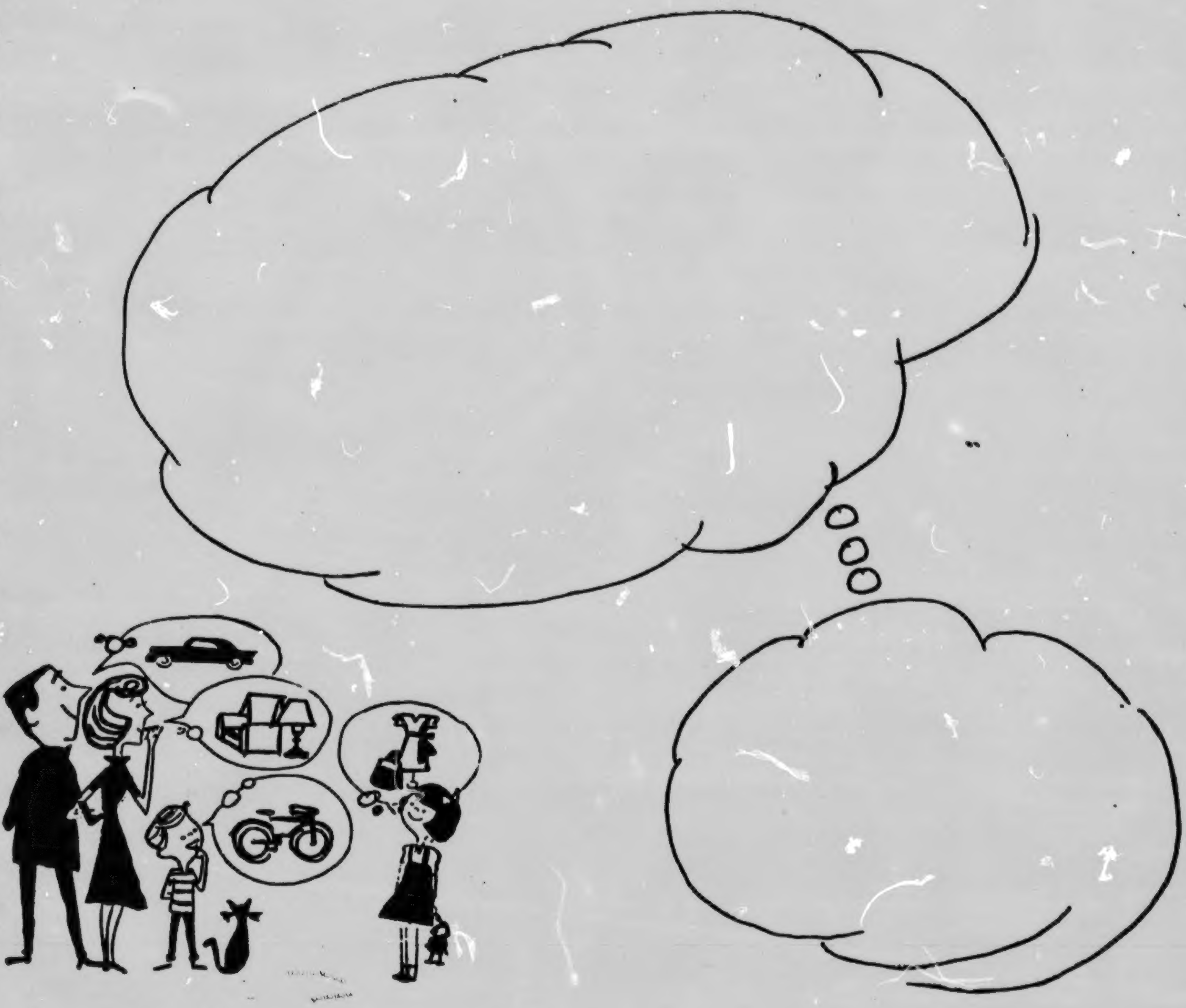
In the drawing on page 4, you see two clouds. In the largest one put the items that might now and in the future you plan to spend money on. Use the smaller of the clouds as individual wants. Make one for as many people are in your family. Each person should fill in their own cloud.

When everyone has completed their's, have a group-sharing session.

On a blank piece of paper, write the final agreement in your family as to what the money will be spent on.

Be sure to include all of the clouds from the individuals in your family when doing this activity.

DREAM CLOUDS



Dream Clouds:

1. Have everyone in the family that is involved in this exercise explain why the items listed are important to them.

2. Are the goals shown long or short term?

3. When there are many different ideas mentioned on how to spend money -- how will your family reach a decision on how the money will be spent?

4. What are the families goals?

5. How did you feel about doing the dream cloud exercise?

6. Were there any items mentioned that you were not aware of?

7. If you had children old enough to participate in this exercise -- did they mention any of the same items as you?

8. On the subject of allowances list:

One advantage --

One disadvantage --

LAP Checklist

Activity	Date Completed	Instr. Initial
1.		
2.		
3.		

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Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Fixed and Flexible Expenses

OBJECTIVE:

Given categories of fixed and flexible expenses, the student will list the items that are fixed and those that are flexible.

EVALUATION PROCEDURE:

1. Completion of LAP study guides according to the checklist.
2. Complete LAP test with 80% accuracy.

RESOURCES:

Attached: "Fixed and Flexible Items"
Pamphlet: "How to Manage Your Money" -- American Banker's Association

PROCEDURE:

1. Read Chapter 1 of pamphlet: "How to Manage Your Money".
2. Read LAP, "Fixed and Flexible Expenses".
3. Complete the study guides included in the LAP.
4. Have the instructor validate the LAP according to the checklist.
5. Complete LAP Test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

FIXED AND FLEXIBLE EXPENSES

Fixed expenses are those items that you must pay out by specific dates. They are frequently legal commitments which you have to meet and there is very little you can do to change them in a short period of time. They include housing, taxes, utilities, home services, installment payments, insurance, transportation, personal allowances, membership dues, contributions, and subscriptions.

Flexible expenses are those items that vary from month to month. They include food, clothing, household equipment, home improvements, household supplies, gifts, health and personal care, entertainment and recreation. Many of them can be reduced or eliminated or even increased as the need arises.

Some expenses may fall under both fixed and flexible.

The following exercises will help you understand the concept of fixed and flexible expenses so your spending plan will work:

Activity #1 -- Identifying items as fixed or flexible:

Mark an "X" under the column "fixed" if the item is fixed, and "flexible" if the item is flexible.

	FIXED	FLEXIBLE
1. meals eaten out		
2. rent		
3. property taxes		
4. remodeling your home		
5. birthday presents		
6. automobile insurance		
7. furniture payments		
8. union dues		
9. haircut		
10. gasoline		
11. theatre tickets		
12. newspaper subscriptions		

Activity #2 -- Listing items that are fixed or flexible study guide

Make a list of 10 other flexible and fixed items. State which is flexible and which is fixed.

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

CASE STUDY

Activity #3 -- Let's look at a sample case:

Bob earns $726 a month. His take-home salary after taxes, insurance, and union dues was $596. One month he kept track of what he spent. He paid $125 for his apartment, which included garbage collection, heat and lights. His phone was $10. He paid $57 for car payments. He bought some clothes for $52. His food was $80. He also bought his lunch in the cafeteria for $31.50 for the month. Gasoline and car upkeep came to $42.75. He bought a birthday gift for his wife, Carrie, for $25. His life insurance policy was $16.25 a month. His payments on the stereo was $17. He took Carrie out eight times for $82. He went skiing with his friend, Roger, and spent $24. He could not remember how he spent $33.50. He was hoping to save for a watch for Carrie, but somehow there never seemed to be enough money.

Since it is much easier to reduce flexible expenses than fixed expenses, we start by separating them.

Put each of Bob's expenses under the proper column, fixed or flexible:

FIXED	FLEXIBLE

Activity #3 (continued)

How can Bob reduce his flexible expenses and still have the fun and comfortable life that he values?

Which fixed expenses could be reduced in the near future and how?

LAP Checklist

Activity	Date Completed	Instr. Init.
1.		
2.		
3.		

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Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Budgeting Your Money

OBJECTIVE:

Given the 8 steps in making a budget, the student will follow these steps to prepare his/her budget.

EVALUATION PROCEDURE:

Completion of LAP study guide according to checklist.
Completion of budget forms appropriate to family needs and wants.

RESOURCES:

Attached: "Budgeting Your Money"
Working Budget Schedule Form
Weekly Family Budget Form
Chapter 1 -- pamphlet -- "How to Manage your Money" -- American Baner's Association.
Cassette Tape: "The Budget -- Today and Tomorrow" - Audio Magnetics Corporation, Gardena, CA.

PROCEDURES:

1. Read LAP: "Budgeting Your Money".
2. Listen to cassette tape -- "The Budget - Today and Tomorrow".
3. Complete "Working Budget Schedule Form"
4. Complete "Weekly Family Budget Form" according to your own debts, income, goals and plans.
5. Review Chapter 1 in "How to Manage Your Money".
6. Make appropriate adjustments on your guide.
7. Have the instructor validate the LAP according to Checklist.
8. Complete LAP Tests with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

BUDGETING YOUR MONEY

The steps for making a budget are:

1. Keep track of your expenses for a time period.
2. Add up your income for the same time period.
3. List your values, goals, wants, and needs in their order of importance to you.
4. Make decisions based on your values, about how your money is going to best meet your needs, wants and goals.
5. Compare your spending with your needs, wants, and goals.
6. Set up a budget amount for each category in your budget based on the decisions you made about your needs, wants, and goals.
7. Evaluate your budget after you have used it for a month and again at about three months.
8. Revise your budget if it is not working for you as well as you think it could.

Chose one of the following case studies and complete the activities in that case study.

Case Study #1:

Robin Charnell is 21 and has just goeen a job in a store as a window display person. She has had two years of advanced training at an art school. She has been married for six years to her husband who is a painter. Last month they spent the following:

Food	$ 97.00	Medical and Dental	$ 10.00
Personal	35.00	Reading and Education	23.00
Transportation	23.00	Recreation	45.00
Gifts	18.00	Savings	103.00
Housing	145.00		

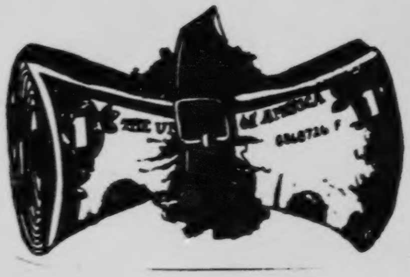
A. Which category are they going to have to increase in order to buy some new clothes?

B. What category are they going to have to increase to replace their old car with a newer one?

C. Which are two categories that can be reduced easily? Why?

Case Study #2:

Bruce Swenson's take-home pay is $634.00 monthly. Each year he has the following large fixed expenses:



Car License - $ 45.00
Boat Insurance - 90.00
Taxes - 60.00

This year he has had the following emergency expenses:

Medical - $280.00
Home Repair - 73.00

How much does Bruce need to put into his savings each month in order to cover these expenses?

Case Study #3:

Greg McDermont has been working 20 hours a week in a drive-in restaurant. After taxes and social security, he takes home $61 every two weeks. He also gets $2.50 for lunches at work by helping with the yard work at the apartments where he lives every week. His car payments are $62 a month and $12 a month for car insurance. He buys a tank of gas every week, which runs about $5. He also likes to take his daughter, Jan, out on the weekends and this usually runs about $12 a month. Greg would like to buy a new record every payday for his collection. Records cost about $5.50 at the discount store. Greg also likes new clothes, but is finding he can't afford nearly as much as he would like to have. (He lives at his parent's house).

Below, list how much Greg makes every month and how much his expenses are:

INCOME	OUTGOING (Expenses)
Total:	Total:

What seems to be one of Greg's goals?

What is one of Greg's needs?

Choose one of the following values that you think Greg would find important. Tell why, from his list of expenses:

Freedom Status Recreation Comfort

Cast Study #4:

Julie Smith wanted to get a new dress for a Christmas party. She has a job at the local grocery store and makes $28 every week (take home pay). Her fixed expenses include $60 a month for her Yamaha and $10 a month for insurance. Her flexible expenses include $5.00 a week for lunches, $3.00 a week for miscellaneous items, and $10.00 a month for clothes.

Total up Julie's income and outgo.

Income Outgo

Total: Total:

Julie's dress is going to cost $23.00. If she saves her monthly savings for clothing, how long will it take to buy her dress -- (which she wants right away)?

What are some ways she can change her budget so it will do a better job of meeting her goals, wants, and needs? Show the changes in the budget below:

Income Outgo

Total: Total:

What do you think Julie's main goal was?

Choose one of the following values that you think was important to Julie after looking at how she spends her money. Tell why.

Honesty Friends Comfort Recreation Freedom

TO PLAN OR NOT TO PLAN!

Everyone needs to know where their money goes to be financially ahead. No matter how much or little you make, you most likely never have enough to buy everything you would like. You need to line up your goals with consideration to your needs and wants and see which ones you are going after first.

If you do not like making the time or the energy to follow through with your budget, just think back on all of the plans that have fallen through due to lack of money. Also, consider all of the hard work that went into that weekly pay, wouldn't you like to get the most for your money?

Making a budget is like following a recipe for apple pie. You have certain ingredients and if you follow the directions your pie will turn out the way it is supposed to. After you taste it, you can change your recipe so that your next pie will be even better.

Keeping track of the money you spend for a couple of weeks will give you the ingredients for your budget. When you have these ingredients you are ready to budget the amount you need in each category of your budget. One nice thing about a budget you make for yourself -- like the pie, after you try it, you can change it and make it better by planning, correcting, and replanning.

The budget is a set of plans put in a logical order:

1. income from every source.
2. outgo for fixed expenses.
3. outgo for flexible expenses.
4. savings for future expenses.

WORKING BUDGET SCHEDULE

The budget column -- to be filled out before you receive your stipend. This column shows what you think you will be spending your money on.

The actual column -- to be filled out as you spend your weekly stipend. Compare the two columns and see if you need to make adjustments.

Keep the following budget sheets for at least three weeks, keeping them as accurate as possible.

Also, keep as many receipts as you can obtain with the budget sheets.

If you have any questions on how to fill out the forms, talk with the instructor.

61.01.01.04

FAMILY EDUCATION AND EMPLOYMENT PROGRAM
WORKING BUDGET SCHEDULE

NAME: ____________________ **DATE:** __________

LIVING EXPENSES:	WEEKLY	MONTHLY	EVERY 2 MONTHS	QUARTERLY (3 MONTHS)	SEMI-ANNUAL (6 MONTHS)	YEARLY
Rent						
Cable						
Miscellaneous (Explain)						
Food						
Telephone						
Clothing						
Transportation						
Insurance (Car)						
Insurance (Life)						
Entertainment (Bowling, night out)						
MISC. EXPLAIN:						
MISC. EXPLAIN:						
TOTAL EXPENSES: (A)						

Income Notes

INCOME:	WEEKLY	MONTHLY	OCCASIONALLY
F.T.C. Salary	$75.00		
Other			
TOTAL IMCOME: (B)			

	WEEKLY	MONTHLY	OCCASIONALLY
TOTAL INCOME: (B)			
TOTAL EXPENSE: (A)			
AMOUNT AVAIL. FOR BILLS & SAVINGS: (B-A)			

TOTAL ONTHLY UDGET	TOTAL MONTHLY ACTUAL	OVER + SHORT −

8

Bud. #

Month ______________, 19 ______

SECOND WEEK		THIRD WEEK		FOURTH WEEK		FIFTH WEEK		TOTAL MONTHLY BUDGET	TOTAL MONTHLY ACTUAL	OVER + SHORT −
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual			

FTC HOME SPENDING PLAN

Month ______________, 19 ______

	OUTGO (CONT'D)	TOTAL AMOUNT OWING	MONTHLY PAYMENTS	WEEKLY PAYMENTS	FIRST WEEK		SECOND WEEK		THIRD WEEK		FOURTH WEEK		FIFTH WEEK	
	TOTAL BUDGET/ACTUAL				Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actu
27.	FROM LINE 26													
28.														
29.														
30.														
31.														
32.														
33.														
34.														
35.														
36.														
37.														
38.														
39.														
40.														
41.														
42.														
43.														
44.														
45.														
46.														
47.														
48.														
49.														
50.														

SUMMARY:

Money management can help in many ways.

1. Live within income -- have items purchased in the order of most needed.
2. Making most out of spending power -- showing what is realistic and what is not.
3. Reduces, wasted on impulse spending.
4. To save money for a future need.
5. Easy to set up regular payment schedule.
6. Good chart of progress.
7. Shows short-term and long-term goals.

When going along not using any form of a budget you have poor money management. Some of the results of this can be seen everyday:

1. conflict between husband and wife
2. tension within the family
3. low level of satisfaction with life
4. low level of prestige in the community
5. feelings of being poor and deprived
6. feelings of not getting ahead

1. What information does a budget contain?

2. Why does everyone need some form of money management?

LAP Checklist

Case Study	Date Completed	Instr. Init.
1.		
2.		
3.		
4.		
Questions:		

GLOSSARY

1. VALUES -- are deeply held feelings about things that are very important to you.

2. GOALS -- an object or end that one strives to reach.

3. DECISION MAKING -- choosing between one or more items or thoughts.

4. FIXED EXPENSES -- are those items that you must pay out by specific dates. Examples: rent, installment payments, insurance premiums, utility payments.

5. FLEXIBLE EXPENSES -- are those items that vary from month to month. These expenses can be made larger or smaller or cancelled depending on the item:

   Example:
   1. absolutely flexible -- bigger speakers, a color TV, a radio.
   2. moderately flexible -- a new stove to replace the old one, a newer bike to replace the older one.
   3. slightly flexible -- better quality or quantity of any item.

Student: ____________________ File Code: 61.01.01.01

Date: ____________________ Date Published: 5-22-79

Family Education Program

LAP TEST: IDENTIFICATION OF YOUR VALUES AND GOALS

1. A value has a basic effect on:

   a. feelings you hold.
   b. your general outlook on life.
   c. items that are important.
   d. feelings on items that are important.

2. What is a goal:

   a. only for items a long way off.
   b. it is influenced by your values.
   c. it isn't influenced by any outside factors.
   d. only for items in the near future.

3. Which of the following is a goal:

   a. wanting to be honest.
   b. to finish your occupation.
   c. to be attractive.
   d. your health now.

4. Which of the following is a value:

   a. wanting leisure.
   b. to finish family core.
   c. pay off car.
   d. pay bills.

5. When you make a budget which of the following is absolutely necessary:

   a. values.
   b. values and goals.
   c. goals.
   d. values and needs.

6. Values are expressed by:

   a. not general attitudes.
   b. your feelings are always the same.
   c. words not easily defined.
   d. they do not involve emotions.

7. Which of the following is one of the stages of goals:

   a. extended.
   b. long-term.
   c. practicality.
   d. status.

8. A budget takes the joy out of spending:

   a. always.
   b. sometimes.
   c. never.
   d. none of the above.

9. Keeping a budget:

   a. helps you to save.
   b. is a pain.
   c. forces you to watch where you are spending your money.
   d. forces a person to but down on expenses for recreation.

10. Which is not an example of a short-term goal:

    a. to pay your rent.
    b. buy a dress.
    c. to pay off overdue bills.
    d. to buy a book.

LAP TEST ANSWER KEY: IDENTIFICATION OF YOUR VALUES AND GOALS

1. B
2. B
3. B
4. A
5. B
6. C
7. B
8. B
9. C
10. C

Student: ____________________ File Code: 61.01.01.02

Date: ____________________ Date Published: 5-22-79

Family Education Program

LAP TEST: DETERMINING BETWEEN NEEDS AND WANTS

1. Which of the following best describes why everyone who handles money needs some form of money management?

   a. everyone needs more money to live.
   b. everyone has the same financial needs.
   c. everyone has to make financial decisions.
   d. everyone makes mistakes.

2. The clothes that we wear represent:

   a. one of your basic needs.
   b. one of your basic wants.
   c. both needs and wants.
   d. none of the above.

3. What is the definition of a want:

   a. something you need.
   b. something to make your life more pleasant.
   c. a basic requirement.
   d. something you can't live without.

4. Which of the following are the primary goals of money management?

   a. more buying and less saving.
   b. wise saving and wise spending.
   c. higher interest and fewer dividends.
   d. fewer payments and less planning.

5. Why is it important to know the differences between needs and wants?

   a. your needs should be taken care of last.
   b. your wants should be taken care of first.
   c. your wants should be taken care of last.
   d. your needs should be taken care of first.

6. The car that you drive represents:

   a. one of your basic needs.
   b. both needs and wants.
   c. only wants.
   d. something you need.

7. What is not a definition of a want:

   a. a fur coat to wear in the winter.
   b. something you despitely need.
   c. finding money.
   d. a basic requirement.

8. Are basic needs shared by others?

   a. never.
   b. sometimes.
   c. always.
   d. only with some people.

9. Why is money management important:

   a. to save and think before spending.
   b. to have no bills.
   c. to be able to get everything one wants.
   d. to know where some of your money is going.

10. A trip to the dentist represents:

    a. both needs and wants.
    b. neither a need nor a want.
    c. one of your basic needs.
    d. one of your basic wants.

LAP TEST ANSWER KEY: DETERMINING BETWEEN NEEDS AND WANTS

1. C
2. C
3. B
4. B
5. D
6. A
7. C
8. C
9. A
10. C

Student: ______________________ **File Code:** 61.01.01.03

Date: ______________________ **Date Published:** 5-22-79

Family Education Program

LAP TEST: FIXED AND FLEXIBLE EXPENSES

1. Which of the following is the best example of a slightly flexible expense?

   a. new car tires
   b. color TV
   c. new refrigerator
   d. better quality clothes

2. Which of the following is the best example of a fixed expense?

   a. rent payments.
   b. washing machine purchase
   c. food bills
   d. clothing bills.

3. Flexible expenses can:

   a. be increased.
   b. be reduced or even increased.
   c. always stay the same.
   d. be reduced or eliminated.

4. With flexible expenses you are able to (when on a budget):

   a. change items of the same price.
   b. make substitutions that are more expensive.
   c. make substitutions that are less expensive.
   d. buy all items the same price.

5. Which category of expense should you put your savings:

   a. fixed expenses.
   b. both fixed and flexible expenses.
   c. flexible expenses.
   d. none of the above.

6. The definition of a fixed expenses is:

   a. items that you must pay immediately.
   b. all bills due now.
   c. only large bills.
   d. items that you must pay out by a specific date.

7. Which of the following is an example of a flexible expense?

   a. mortgage payment.
   b. school costs.
   c. rent.
   d. telephone call.

8. Which of the following is an example of a fixed expense?

   a. magazine.
   b. life insurance.
   c. transportation.
   d. food.

9. What is an example of a Discretionary Expense?

   a. gas.
   b. car payments.
   c. insurance premiums.
   d. entertainment.

10. A flexible expense are:

   a. expenses that vary week to week.
   b. expenses that vary every two months.
   c. expenses that vary month to month.
   d. expenses that vary every year.

LAP TEST ANSWER KEY: FIXED AND FLEXIBLE EXPENSES

1. D
2. A
3. D
4. C
5. B
6. D
7. D
8. B
9. D
10. A

Student: ____________________ File Code: 61.01.01.04

Date: ____________________ Date Published: 5-22-79

Family Education Program

LAP TEST: BUDGETING YOUR MONEY

1. Which of the following best describes a budget?

    a. detailed account of real property.
    b. system of checks and balances.
    c. listing of stocks and bonds.
    d. logical set of financial plans.

2. A good budget usually requires which of the following:

    a. lots of fixed expenses.
    b. knowledge of future emergencies.
    c. planning, correcting and replanning.
    d. lots of flexible expenses.

3. Which of the following is the best definition of a budget?

    a. system for controlling real property.
    b. a set of plans in a logical order.
    c. cash-flow accounting system.
    d. skill of controlling and directing money.

4. Which of the following best describes the primary purpose of budgeting?

    a. financial improvement of the individual.
    b. freedom from financial decision-making.
    c. ability to buy everything one wants.
    d. elimination of all debts.

5. About how much time per week would the average person need to manage his money?

    a. 1/40 as much time as the 40 hour workweek.
    b. 1/3 as much time as the 40 hour workweek.
    c. 1/5 as much time as the 40 hour workweek.
    d. 1/10 as much time as the 40 hour workweek.

6. When is the best time to begin a sound plan of money management:

    a. long before your finances begin "sliding".
    b. just before you make a large purchase.
    c. when you're in deep financial trouble.
    d. after you have started an installment plan.

7. Which of the following is a common result of poor money management:

   a. higher rent costs.
   b. more mouths to feed.
   c. less work and fewer problems.
   d. conflict between husband and wife.

8. Money management makes good sense when you consider which of the following:

   a. difficulty in finding enough time.
   b. price of new automobiles.
   c. difference between spending and saving.
   d. hard work that went into earning your money.

9. What is the first step in keeping a budget?

   a. Plan long range expenses.
   b. Keep track of your expenses for a time period.
   c. Revise your budget if it is not working for you.
   d. Compare your spending with your needs, wants, and goals.

10. Your budget should be tailored to:

    a. today's inflation.
    b. your lifestyle.
    c. your needs and your lifestyle.
    d. your bills.

LAP TEST ANSWER KEY: BUDGETING YOUR MONEY

1. D
2. C
3. D
4. A
5. A
6. A
7. D
8. D
9. B
10. C

Student: ______________________ File Code: 61.01.02.00

Date: ______________________ Date Published: 7-24-79

Family Education Program

UNIT TEST: BANKING AND YOU

61.01.02.01

1. Which service is not offered by a bank:

    a. savings account.
    b. financial counseling.
    c. deposit boxes.
    d. note paper.

2. Why is it a good idea to establish a good relationship with a particular bank?

    a. so that the bank will let you open a savings account.
    b. many bank services involve the good will of the bank towards the customer.
    c. because the bank uses your money to make more money.
    d. so the bank can take over all of your money management.

3. What is not an advantage of a checking account:

    a. convenient payments of bills.
    b. establishing a relationship with the bank.
    c. easily overdrawing of your account.
    d. convenient tracking of spending.

4. Which is not an error that can be made in checking:

    a. arithmetic.
    b. last month's outstanding checks.
    c. recording errors.
    d. a credit reference.

5. Which is not a disadvantage of a checking account:

    a. no ID -- no check cashed.
    b. record of where you spent your money.
    c. checks cost money.
    d. charge on each check.

61.01.02.02

6. Which is not a tip to borrowers:

    a. know the real value of what you are going to buy.
    b. know exactly how much you can afford to pay back each month.
    c. know exactly what you are going to buy.
    d. wear anything you want when going to borrow the money.

61.01.02.02 (continued)

7. What does compounded stand for:

   a. twice a year.
   b. figured out.
   c. once a year.
   d. every year.

8. A savings account:

   a. can be used for emergency money.
   b. for short-term goals.
   c. for long-term goals.
   d. all of the above.

9. Finance companies and private dealerships usually charge __________% interest more than banks on their loans.

   a. 6% - 20%
   b. 15% - 20%
   c. 2% - 15%
   d. 5% - 10%

10. What is one way that you show you are not sure of your purpose when you borrow money:

   a. that you are going to use the money wisely.
   b. no idea of what you want the money for, just that you need it.
   c. show that you will be getting your money's worth.
   d. the burden of proof is on you.

UNIT TEST ANSWER KEY: BANKING AND YOU

61.01.02.01

1. D
2. B
3. D
4. C
5. B

61.01.02.02

6. D
7. B
8. D
9. C
10. B

Family
Education
Program

BANKING and YOU

Family Training Center, Inc.

Family Education Program

File Code: 61.01.02.00

Date Published: 5-22-79

Learning Experience Guide

UNIT: BANKING AND YOU

RATIONALE:

An overview of the main principles of money management provides a background for later focus on more specific areas of importance to the consumer.

PREREQUISITES:

None.

OBJECTIVES:

Identify and demonstrate the concepts, operation and uses of various banking services.

RESOURCES:

1. Instructor prepared worksheets and test.
2. Pamphlet: "How to Manage Your Money"
3. Pamphlet: "Checking Accounts"
4. Pamphlet: "A Unit on Banking"
5. Pamphlet: "You and Your Bank"

GENERAL INSTRUCTIONS:

1. Read LAP and do study guides as required.
2. Complete LAP tests with 80% accuracy.
3. If you have any problems with the material, reread sections which present the information.
4. Ask the instructor for help if problem continues.

INTRODUCTION:

In this LAP you will find out the advantages and disadvantages of checking accounts, basic information on savings accounts and bank loans.

OVERVIEW:

Everyone spends money in some form, and it is easier to keep track of it in a checking account if you keep the paper work straight. Also, if you are saving money, it will not be so tempting to spend it if it is in the bank.

Principal author(s): Christine Olson

Family Training Center, Inc.

PERFORMANCE:

If you run into something that you're not sure about, go back and reread the information. Then, if you are still not sure ask for help. Do not try to proceed through the LAP if you don't understand all you have covered.

EVALUATION:

1. Completion of LAP activities.
2. Completion of LAP tests with 80% accuracy.
3. Completion of Unit Tests with 80% accuracy.

COMPETENCY:

You will be able to state examples of the following:

1. Checking accounts.
2. Tracking down errors.
3. Savings account.
4. Bank loans.

ASSIGNMENT:

Read the coverpage of the LAP, then proceed to the readings of the text doing the exercises enclosed.

File Code: 61.01.02.01

Date Published: 5-22-79

Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Checking Accounts

OBJECTIVE:

The student will participate in activities for establishing checking accounts, and how to track down errors.

EVALUATION PROCEDURE:

1. Completion of LAP study guide
2. Completion of LAP test with 80% accuracy.

RESOURCES:

Attached: "Checking Accounts"
Pamphlet: "A Place to Keep Your Money: A Unit on Banking", Modern Consumer Ed., Grolier Educational Corporation, New York, NY.
Pamphlet: "How to Manage Your Money", American Bankers Association.

PROCEDURE:

1. Read LAP "Checking Accounts"
2. Obtain and read pamphlet, "Checking Accounts".
3. Obtain and read, "A place to Keep Your Money" -- pages 1-10.
4. Obtain and read, "How to Manage Your Money" -- pages 49-52.
5. Complete LAP study guides.
6. Complete LAP test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

BANKING AND YOU

Services offered: A good banking program should be a part of any sound money management plan. Banking is termed a service industry and for a very good reason. Banks provide their customers with some very useful services for the privilege they receive of being able to use the customers' money to make more money. The services which banks offer include checking accounts, savings accounts, bank loans, and other such conveniences as safe deposit boxes, value appraisals and financial counseling.

Establishing a good relationship: Because banks do offer such helpful services and because a number of these services involve the good will of the bank towards the individual customer, it is very important to establish a good relationship with a particular bank. You can do this by opening a checking and/or savings account with a bank. Starting such accounts helps the bank people to get to know you and in time to trust you. Through your accounts they will come to know who you are, where you live, what you do for a living, and, generally, how stable and responsible you are. Such information will enable the bank to give you help when you need it, either in the form of a loan or some financial advice.

CHECKING ACCOUNTS

The advantages of a checking account. A checking account can be a very valuable tool in almost any money management plan. Such an account gives you a convenient way to pay for what you buy as well as a convenient way to keep track of your spending.

"convenient payment of bills"

1. checks are safer to carry or send through the mail than cash because, they can only be cashed by the person to whom the check is written.
2. checks which have been cashed can be used as legal proof of payment.

"convenient tracking of spending"

1. checks which have been cancelled (cashed and stamped by the bank) are returned to the one who wrote the check, and these can be used as a record of bills and purchases.
2. the record, which is the part of a check book where you write down the amount and receiver of your checks, can tell you at a glance how much money you have been spending on any particular item.

Disadvantages of a checking account. Now a word of caution. Even though checks are as common as cash, there are a few inconveniences. For one, in order to use a check you must have identification. Acceptable ID includes a driver's license, credit cards, or military service card. Many places require two pieces of ID. It is especially helpful to have ID with a picture and signature.

Even if you have good ID, there are businesses and individuals who just will not accept checks as payment.

Another consideration is the costs involved in using checks. Bank charge for the printing and processing of checks as well as other services to your account. Depending on the number of checks you write, you may spend two or more dollars a month on fees.

Possibly the worst disadvantage is the danger of overdrawing your account -- spending money you don't have. It's up to you to keep good records to prevent overspending your account.

Types of checking accounts. There are two basic types of checking accounts, special checking accounts and regular checking accounts. In either type of checking account you must pay for the checks themselves. These cost roughly $3.00 per 500 checks. In addition to this cost each of the two types of checking accounts have additional requirements which are different in each case:

"special checking account"

-- a special checking account requires that you pay some small fee for each check that you write (usually 12 or 15 cents per check) plus a fee for your monthly bank statement (usually about 50¢ per month)

-- these fees are required to pay the bank for its part in handling your money.

-- a special checking account is good for an individual who writes only a few checks each month.

"regular checking account"

-- a regular checking account requires that you keep at least a certain amount (usually about $200) in your account at all times. This amount, which is called a minimum balance, is used by the bank to make money, and with the money they make, they pay your fees for you.

-- your minimum balance pays the bank for its part in handling your money.

-- a regular checking account is good for an individual who writes quite a few checks each month.

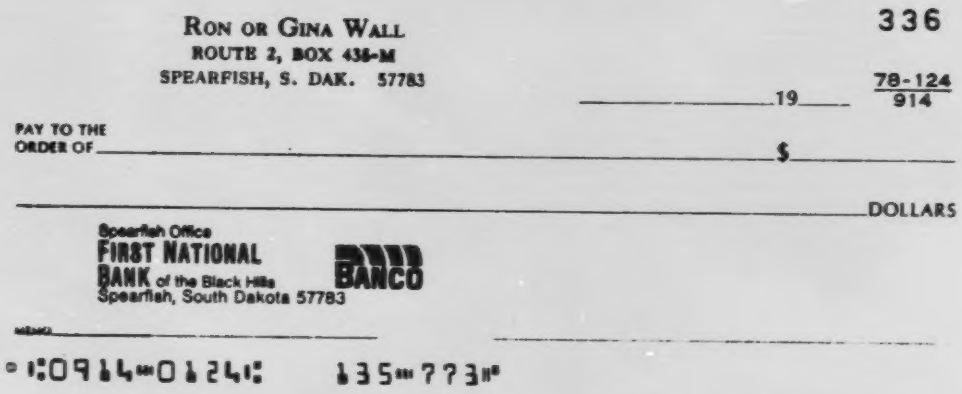
Information printed on checks. All of the following information is printed on most personalized checks:

1. Name and address of account holder(s)

   Ron or Gina Wall
   Route 2, Box 435-M
   Spearfish, South Dakota 57783

2. Name and address of bank

   First National Bank
   of the Black Hills
   Spearfish, South Dakota 57783



RON OR GINA WALL
ROUTE 2, BOX 435-M
SPEARFISH, S. DAK. 57783

336

19

78-124
914

PAY TO THE
ORDER OF $

DOLLARS

Spearfish Office
FIRST NATIONAL
BANK of the Black Hills
Spearfish, South Dakota 57783

BANCO

MEMO

⑆0914⑉0124⑆ 135⑉773⑈

---

3. Number of checks being used

   336

4. Number which identifies bank

   $\frac{78\text{-}124}{914}$

5. Numbers which identify the bank's federal reserve and the bank itself

   0914-0124

6. Number which identifies account

   135-773

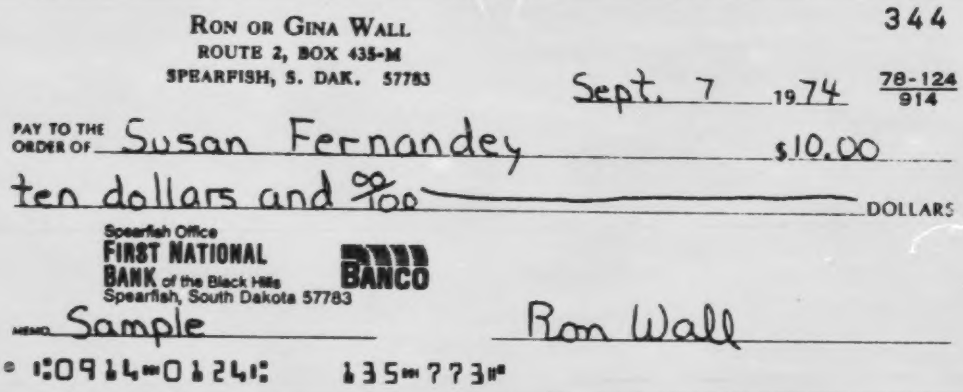
Information written on checks. The following information should be written clearly and correctly on all of your checks.

1. Name of the person to be paid

   Susan Fernandez

2. Amount in numbers

   $10.00



RON OR GINA WALL
ROUTE 2, BOX 435-M
SPEARFISH, S. DAK. 57783

344

Sept. 7 1974 78-124/914

PAY TO THE ORDER OF Susan Fernandey $10.00

ten dollars and 00/100 DOLLARS

Spearfish Office
FIRST NATIONAL BANK of the Black Hills
Spearfish, South Dakota 57783

BANCO

MEMO Sample

Ron Wall

⑆0914⑈0124⑆ 135⑈773⑈

3. Amount written in words

   ten dollars and 00/100------------------------------------

4. Account holder's signature

   Ron Wall

5. Date check was written

   September 7, 1974

NOTE: The amount to be paid is written in both words and numbers in order to make it difficult for someone else to change the amount and in order to make it clear what the amount is.

Both the words and the numbers which indicate the amount to be paid are written to the extreme left of their spaces. This also makes it difficult for someone else to change the amount.

Use ink! This prevents anyone from changing the payee name or the amount of the check. The bank has the right to refuse a check made out in pencil.

Check endorsement. When you receive a check that is made out to yourself, you must sign your name on the back of the check in order to cash it. This signing of your name is called endorsing the check. A check may be endorsed anywhere on the back of the check, but it is easier for the bank if you sign along the left-hand edge.

Bad checks. There are two types of bad checks. One type is called an insufficient fund check and the other type is a forged check.

"insufficient fund check"

- -- an insufficient fund check is a check which is written for an amount which is greater than the amount still left in the account which it is written against.
- -- it is illegal to write checks for more than you have in your account. All states have penalties for writing such checks. The Montana code is quoted below as an example.

> Section 94-2702 of the Revised Codes of Montana (1947) provices that a person has five (5) days from the date of receipt of notice within which to pay the amount of any "NSF" check in full. Section 94-2702 provides for a maximum penalty of six (6) months in the County Jail and/or $300.00 fine if a check for less than $25.00 is not paid and five (5) years and/or $5,000.00 fine if a check for more than $25.00 is not paid.

- -- banks usually charge a fee of about $3.00 to $5.00 to cover the extra work required in handling an insufficient fund check.

If you are a good customer and don't write bouncing checks as a habit, some banks may process the check without the funds. But this costs an overdrawn fee usually $2.00 per overdrawn check.

Checks are being processed faster than ever -- a check you cash today has a good chance of being posted to your account tonight with computers, a large bank may process over a million checks in a single day. Planning on "float time" -- time to cover your check with a deposit -- is risking a bounced check these days.

"forged check"

- -- a forged check is one that is signed by someone other than the person to whom the account belongs.
- -- whoever accepts a forged check is responsible for that check and must accept the loss.

Know Where You Stand: Balancing your checkbook each time you receive your bank statement is something you do for your own benefit, to know where you stand. Various methods can be used to arrive at the correct balance, as long as the proper additions and subtractions are made. The back of your bank statement provides space for doing the necessary calculations. Your objective is to determine that your checkbook balance agrees with the bank's balance.

Responsibility: Your checking account represents a contractual relationship with your bank. Both you and the bank have certain responsibilities with regard to your account. The bank's are determined by law and sound operating procedures. Your responsibilities are based on your legal duty to promptly examine your statements, cancelled checks and other included items; and to report errors, suspected forgeries, or alterations on any check item. You also have the responsibility not to write checks for more than you have in your account. For your own protection, report lost or stolen checks promptly.

Credit Reference: A properly maintained checking account can become a good credit reference: it can indicate the way you handle your finances; it establishes the fact that you have a banking relationship

TRACKING DOWN ERRORS -- CHECKING

If you've gone through the balancing procedure and your checkbook still won't balance, this checklist may help you locate the error.

X Automatic transactions --

Make sure you've added to or subtracted from your record all automatic deposits and deductions -- and all miscellaneous credits and charges that appear on your statement.

X Arithmetic --

Check addition and subtraction in your checkbook and in the balancing procedure. (If the difference between your balance and the bank's can be evenly divided by 2, the error could have been caused by adding instead of subtracting -- a check in your checkbook).

X Transposing --

Can the difference between your balance and the bank's be evenly divided by "9"? If so, there's a good chance that the error was caused by transposing numbers -- for example, recording a $23 check for $32; or $5.17 as $7.15.

X Recording Errors --

Compare the check numbers and check amounts that you recorded in your checkbook with the check numbers and check amounts on the cancelled checks you received. (On each check, the check amount recorded by the computer is encoded on the bottom right corner of the check, under your signature. This should also be the same as the check amount you wrote and recorded).

X Last Month's "Checks Outstanding" --

Any checks outstanding from last month's balancing that will have not been paid by the bank (that still don't show up on your statement) must be included in this month's list of checks outstanding.

X Balance Carry-Forward --

In your checkbook, be sure that you carried forward the same balance from the bottom of one page to the top of the next page.

X Unrecorded Cancelled Checks --

Have you recorded -- and subtracted from your checkbook balance -- all of the cancelled checks listed on your statement and enclosed with your statement?

X Missing Check --

(Missing from your checkbook record or from the numerical listing on your statement). Did you forget to record a check you've written? You may have saved a sales receipt that would help jog your memory. Have your destroyed a check? You visit the statement window at your bank and learn about your cancelled checks before they're normally returned to you.

X "Less Cash" Deposit --

When you deposit a check and withdraw part of your deposit in cash (in one transaction using one deposit slip) you have a "less cash" deposit. Be sure you recorded the correct amount that is added to your account. Check the teller's stamped entry on the Deposit Record page of your checkbook or your receipt (stamped duplicate deposit slip).

X Same Deposits --

Do you and the bank show the same number of deposits and for the same amounts? You should have a receipt or a stamped entry in your checkbook to verify the amount of each deposit.

X Matching Statement Balance --

Be sure the Previous Balance on this month's statement is the same as the New Balance on last month's statement.

X Still Won't Balance? --

If you need further help, gather together all your records -- checkbook, deposit receipts, statements and cancelled checks -- and visit the statement window at your bank.

X Receiving "Today's Balance" --

Here's an important point to remember: Today's balance, as given to you by your bank, may not necessarily be the true balance of your account. It won't include checks you've written that have not yet reached the bank. You need to make allowance for these checks to prevent overdrawing your account.

CHECKING ACCOUNTS

STUDY GUIDE

1. Some banks will process your check even when there are no funds to cover it?

   True or False

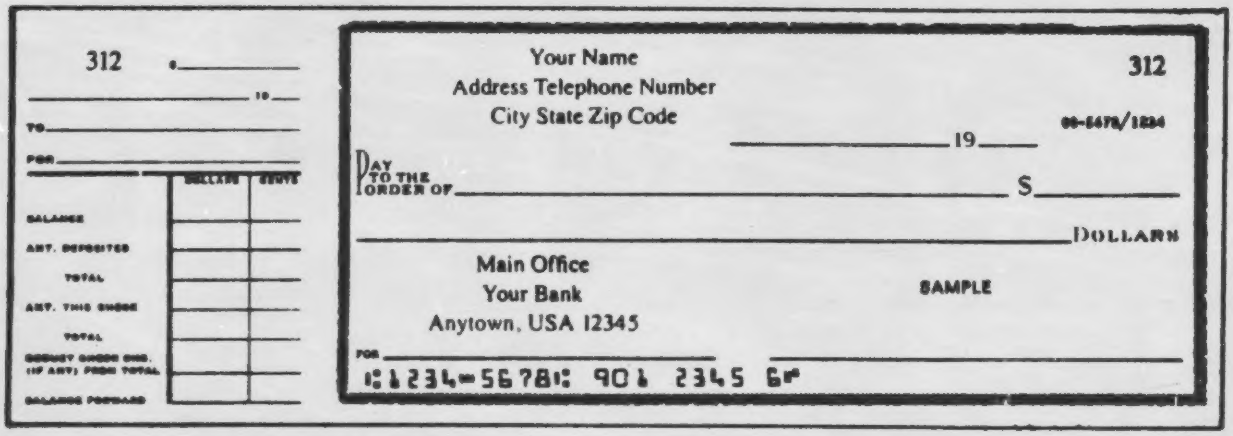
2. List two advantages and two disadvantages of having a personal checking account.

Advantages	Disadvantages
1.	1.
2.	2.

3. Complete the end stub check below:

   Check number -- 312
   Payee -- J.C. Penney Co.
   Amount -- $10.95
   For -- Slacks

Record the check on the end stub. Assume you have a regular, individual account with a 10¢ charge for each check. Your balance before this check is $97.50.



312 $________
____________ 19__
TO____________
FOR____________

	DOLLARS	CENTS
BALANCE		
AMT. DEPOSITED		
TOTAL		
AMT. THIS CHECK		
TOTAL		
DEDUCT CHECK CHG. (IF ANY) FROM TOTAL		
BALANCE FORWARD		

Your Name
Address Telephone Number
City State Zip Code

312

____________ 19____

PAY TO THE ORDER OF____________ $________

____________ DOLLARS

Main Office
Your Bank
Anytown, USA 12345

SAMPLE

FOR____________ ____________

⑆1234⑉5678⑆ 901 2345 6⑈

File Code: 61.01.02.02

Date Published: 5-23-79

Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Savings Accounts and Bank Loans

OBJECTIVE:

The student will complete exercises from which the concepts and operation of saving accounts and loans will be covered.

EVALUATION PROCEDURE:

1. Completion of LAP study guide according to checklist.
2. Completion of LAP tests with 80% accuracy.

RESOURCES:

Attached: "Savings Accounts and Bank Loans"
Pamphlet: "How to Manage Your Money"--American Bankers Association.
Pamphlet: "A Place to Keep Your Money: A Unit on Banking" -- Modern Consumer Education, Grolier Educational Corporation, New York, N.Y.

PROCEDURE:

1. Read LAP - "Savings Accounts and Bank Loans"
2. Obtain and read "How to Manage Your Money" pages 46-48.
3. Obtain and read "A Place to Keep Your Money" pages 11-15.
4. Complete LAP study guides.
5. Complete LAP Test with 80% accuracy.
6. Have instructor validate materials from the checklist.

Principal Author(s): Christine Olson

Family Training Center, Inc.

SAVINGS ACCOUNT

Money for the future. A savings account is a very good way to provide yourself with money for the future. Now don't be turned off by the word "future". After-all, the future could be as early as next month or next year as well as ten or twenty years from now. In any case, you probably have long-range as well as short-range goals, and you will have a much better chance of reaching these goals if you begin saving for them.

As you have probably already experienced, money which has no particular place to go after you have taken care of all of your bills has a way of disappearing. It usually disappears in the form of wasted or impulsive spending. Wouldn't it be much better if you put this money in a savings account? A savings account can help you make the most of your hard earned money.

1. Money in a savings account earns interest, a payment by bank for its use.
2. Money in a savings account is safe from thieves and carless spenders.
3. Money in a savings account is kept track of by the bank which in turn makes reports to you on its growth.

The interest watchers. Many people are not only interested in the safety and service which a savings account offers but in the amount of interest as well. These are the interest watchers. They do not merely lay down their hard earned money at any old bank. They shop around for the bank that will offer them the best interest on their money. Two things affect the amount of interest you can earn at any bank.

1. The % of interest offered (example: 5-3/4%)
2. How often it's compounded (example: annually or semi-annually)

NOTE: compounded means figured out. In other words, if your interest is compounded semi-annually, it is figured out twice a year and added to your original money.

the more often your interest is compounded the better, because this interest is added to your original money and the next time your interest is compounded you are gaining interest on both your original money and your previous interest.

BANK LOANS

Good quality loans. Bank loans can generally be considered good quality loans for two very important reasons.

1. Banks charge less interest on their loans than most other lenders. Finance companies and private dealerships, for instance, usually charge anywhere from 2% to 15% more interest on their loans.

2. Banks will only loan money after they have carefully considered the applicant and the request and determined that both are sound. In other words, bank loans are usually based upon sound judgements.

NOTE: If a bank refuses to give you a loan, there are probably some very good reasons, and perhaps you should reconsider your request or your ability to pay before you ask another lender.

Getting a bank loan. Before a bank will loan you money, they must feel pretty satisfied that they will be able to get their money back. Therefore, they want to be sure about two things. They want to be sure about you, and they want to be sure about the purpose for which you are using the money.

"being sure about you"

-- you must show the bank that you have the ability to pay them back.

-- you must show the bank that you can be trusted to pay them back.

-- the burden of proof is on you.

"being sure about your purpose"

-- you must show them that you are going to use the money wisely.

-- you must show them that you will be getting your money's worth.

-- the burden of proof is on you.

Tips for borrowers.

1. Dress neatly and appropriately.
2. Act as though you are requesting a loan, not demanding one.
3. Know exactly what you are going to buy.
4. Know the real value of what you are going to buy.
5. Request only the amount of the real value of what you are going to buy.
6. Know exactly how much money you can afford to pay back each month.
7. Request monthly payments which equal the amount which you can afford.

BANKS AND YOU

STUDY GUIDE

1. What are the various penalties for writing an insufficient fund check in the state of Montana.

2. Name three ways in which a savings account could help you.

   a.

   b.

   c.

3. In order for a bank to loan you money, what two things must they generally be sure of?

   a.

   b.

GENERAL INFORMATION ON BANKS

STUDY GUIDE

1. Go to two different banks in the area and find what they offer in checking accounts and in savings accounts. List findings below. Also out of findings which bank would you rather have your money in?

2. Why are banks a good place to go to for a loan?

LAP Checklist

Activity	Date Completed	Instr. Ini.
1.		
2.		

Student: ____________________ **File Code:** 61.01.02.02

Date: ____________________ **Date Published:** 5-23-79

Family Education Program

LAP TEST: SAVINGS ACCOUNTS AND BANK LOANS

1. Which of the following most affects the amount of interest you can earn on a savings account?

   a. amount of bank discount.
   b. how often interest is compounded.
   c. how often bank rates are changed.
   d. number of accounts at the bank.

2. A savings account is a very good way to provide yourself with:

   a. immediate goals.
   b. long-range deficits.
   c. better decision-making.
   d. money for the future.

3. If a bank refuses to give you a loan, you can be pretty sure that:

   a. there are probably some very good reasons.
   b. no one else will loan you the money.
   c. a finance company will charge you less interest.
   d. the bank's interest rates are going down.

4. What must a bank be sure of before they can loan you money?

   a. that you can and will pay them back.
   b. that you do not have any other loans out.
   c. that you have at least $300 in your savings account.
   d. that you really don't need the money.

5. Which of the following usually charges the least interest on their loans?

   a. finance companies.
   b. banks.
   c. private dealerships.
   d. public dealerships.

6. When applying for a loan, who must prove that the borrower has the ability and trust to pay back the loan?

   a. trust company.
   b. bank.
   c. credit union.
   d. borrower.

7. Which is not one of the common ways of calculating interest on a regular account:

   a. Day-of-Deposit to Day-of-Withdrawal
   b. High Interest
   c. Last in-First Out
   d. First In-First Out.

8. What must a bank be sure of before they can loan you money?

   a. that you can, and will, pay them back.
   b. that you do not have any other loans out.
   c. that you have at least $300 in your savings account.
   d. that you really don't need the money.

9. What is not an advantage of a savings account?

   a. money in a savings account is safe from thieves.
   b. investing your money in the market.
   c. easy way to keep track of your money.
   d. money in a savings account earns interest.

10. Before a bank will loan you money, what must they feel:

    a. the burden of proof is on the bank.
    b. the bank checks on your ability to pay back the money.
    c. sure of your purpose.
    d. no need to tell what you want the money for.

LAP TEST ANSWER KEY: SAVINGS ACCOUNTS AND BANK LOANS

1. B
2. D
3. A
4. A
5. B
6. D
7. B
8. A
9. B
10. C

Student: ______________________ File Code: 61.01.02.01

Date: ______________________ Date Published: 6-22-79

Family Education Program

LAP TEST: CHECKING ACCOUNTS

1. What does it mean to call a check an "insufficient fund check"?

   a. the check was written against someone else's account.
   b. the check was forged.
   c. the check was written for an amount greater than the amount in the checking account.
   d. the check was acceptable.

2. Who is responsible for a forged check?

   a. the local Chamber of Commerce is responsible for a forged check and must pay the bank.
   b. the bank is always responsible for a forged check and must accept the loss.
   c. whoever accepts a forged check is responsible for it and may have to accept the loss.
   d. the person whose signature was forged is responsible and must pay out of his account.

3. What is one way to make it difficult for someone else to change the amount on a check you have written?

   a. write the amount in numbers and in fractions.
   b. write the amount in capital letters.
   c. write the amount to the extreme right in the space provided.
   d. write the amount in both words and numbers.

4. Which kind of checking account requires that you keep at least a certain amount of money in your account at all times?

   a. joint checking account.
   b. special checking account.
   c. individual checking account.
   d. regular checking account.

5. Which of the following statements is true of checks?

   a. Cancelled checks can be used to keep track of what you have spent.
   b. Checks are no safer to send through the mail than cash.
   c. Checks have to be cancelled before they can be cashed.
   d. Checks should be used at "cash discount" sales.

6. Which of the following is the best definition of a "forged check":

   a. a check which has been post dated.
   b. a check signed by someone other than the person to whom the account belongs.
   c. a check written so that the amount is not clear.
   d. a check written for more money than you have in your account.

7. What should you do if someone keeps trying to collect on a bill that you have already paid by check:

   a. pay the bill again to show faith.
   b. send the bill to a collection agency.
   c. show him the cancelled check.
   d. show him where you have recorded the check in your checkbook.

8. What two pieces of information are always printed on a personalized check:

   a. telephone number and name of account holder.
   b. name and address of account holder.
   c. address and social security number of account holder.
   d. name and social security number of account holder.

9. What is one way to make it difficult for someone else to change the amount of a check you have written?

   a. write the amount in numbers and in fractions.
   b. write the amount in capital letters.
   c. write the amount to the extreme right in the space provided.
   d. write the amount in both words and numbers.

10. A savings account is a very good way to provide yourself with:

   a. immediate goals.
   b. long-range deficits.
   c. better decision-making.
   d. money for the future.

LAP TEST ANSWER KEY: CHECKING ACCOUNTS

1. C
2. C
3. D
4. D
5. A
6. B
7. C
8. B
9. D
10. D

Student: ______________________ File Code: 61.01.03.00

Date: ______________________ Date Published: 7-23-79

Family
Education
Program

UNIT TEST: A PLACE TO LIVE

61.01.03.01

1. Which of the following is most important in selecting the right housing?

   a. your family's desired for exclusive housing.
   b. the fluctuations of the building trades.
   c. the prime lending rate at the time.
   d. your family's needs, preferences, and capabilities.

2. The kind of housing we choose will depend greatly on our:

   a. religious preference.
   b. personal values.
   c. artistic ability.
   d. preferences.

3. What is one of the main items that you should look for in a different home:

   a. number and sizes of rooms.
   b. is the kitchen large enough.
   c. the number of closets.
   d. go directly from the kitchen to the diningroom.

4. What is the initial outlay?

   a. include rental deposit, the installment down payment, or the mortgage down payment.
   b. includes rental deposit, and utilities payments.
   c. includes a lawn and garden care, and house painting.
   d. includes electricity, heating fuel, water and garbage disposal costs.

5. When checking the layout, what is one item that could change your mind:

   a. there is plenty of light and air.
   b. you are not able to go to the bathroom from the bedroom without being seen from the livingroom.
   c. you can get to the kitchen from an outside door without going through another room.
   d. the windows face in at least two different directions.

61.01.03.02

6. Which of the following rental abbreviations is correctly identified?

   a. Brkr (Broker)
   b. fur (furnished)
   c. aval (available)
   d. oc (occupancy)

61.01.03.02 (continued)

7. Which of the following is a good reason to shop for a house through a realtor?

   a. they give a lot of service for a small fee.
   b. they can be trusted not to accept an offer that is too high.
   c. they are professionals at matching the right house with the right buyer.
   d. they will usually represent the buyer's best interest to the seller.

8. What is the reason that you should check the levelness of the floors in any house that you are considering buying?

   a. check insulating effect.
   b. check structural soundness.
   c. check worn-out piping.
   d. check warping of floor boards.

9. Which of the following is most likely to change your property value?

   a. a new library in your neighborhood.
   b. new zoning laws in your neighborhood.
   c. several new families in your neighborhood.
   d. a new traffic light in your neighborhood.

10. Which of the following rental abbreviations is correctly identified?

   a. 1 jam brk -- one family brick house.
   b. det -- dented.
   c. sch and trns -- schools and turns.
   d. 1 jam brk -- a farm brown.

61.01.03.03

11. Which of the following is generally true of mobile homes?

   a. they are well insulated in most cases.
   b. they depreciate in value over time.
   c. they are the least expensive form of housing.
   d. they require less maintenance than an apartment.

12. Which of the following types of apartments are usually the smallest?

   a. one bedroom apartments.
   b. luxury apartments.
   c. two bedroom apartments.
   d. efficiency apartments.

13. Which of the items mentioned below is not a "pro" point of an apartment:

   a. easy to move into or out of.
   b. you do not need a lot of furniture.
   c. the rooms are generally not as big as in a house.
   d. you have more freedom.

61.01.03.03 (continued)

14. When you are looking for an apartment, what is one of the "cons" that you would watch for?

    a. some companies which sell condominiums have been known to promise more than they give.
    b. building care and upkeep is done by a maintenance crew.
    c. the large and roomy rooms.
    d. a multiple dwelling structure.

15. If you are not sure where you are going to live, why would a mobile home be a good investment?

    a. can be placed in remote areas.
    b. tends to be poorly insulated.
    c. too large and heavy to move with a car.
    d. value goes down quite rapidly.

61.01.03.04

16. Costs for the maintenance of property are usually the responsibility of the:

    a. landlord.
    b. mortgage holder.
    c. tenant.
    d. land owner.

17. One disadvantage of a lease is:

    a. landlord cannot raise your rent during the period of your lease.
    b. you cannot be evicted without due cause.
    c. you will not be able to totally change your apartment.
    d. you will be protected from annoying habits of the other tenants.

18. A landlord has to provide only those services which:

    a. are stated in your lease and the laws of your locality.
    b. he has agreed to provide.
    c. you have accepted as legitimate.
    d. the building commissioner and local landlords have agreed to.

19. What is one item that you do not owe the other tenants?

    a. keeping the volume on your stereo or TV low.
    b. observe your building quiet hours.
    c. talking to your neighbors.
    d. keeping your pets under control.

20. One of the advantages of renting with a lease is:

    a. you can sublease at any time.
    b. you do not have to pay your rent on or before any special due date.
    c. you cannot be evicted under any circumstances.
    d. your rent cannot be raised during the term of your lease.

61.01.03.05

21. Which of the following is a disadvantage of owning your own home as opposed to renting an apartment?

    a. more problems regarding noisy neighbors.
    b. much less personal privacy.
    c. less living space in most instances.
    d. much higher utility bills.

22. What is not an advantage of owning your own home?

    a. hedge against inflation.
    b. freedom to decorate and remodel.
    c. greater freedom to pets.
    d. higher taxes.

23. If you were buying a house what is the least amount of percent of the purchase price do you have to pay?

    a. 15%
    b. 40%
    c. 20%
    d. 25%

24. What is one reason why renting is cheaper than buying?

    a. closing costs.
    b. interest on the mortgage loan.
    c. buying in the short term.
    d. insurance.

25. What is a disadvantage of renting?

    a. small amount of money tied up in a rental deposit.
    b. easier to change addresses.
    c. few upkeep costs.
    d. less living space in most instances.

61.01.03.00

UNIT TEST ANSWER KEY: A PLACE TO LIVE

61.01.03.01

1. D
2. B
3. A
4. A
5. B

61.01.03.02

6. A
7. C
8. B
9. B
10. A

61.01.03.03

11. B
12. D
13. C
14. A
15. A

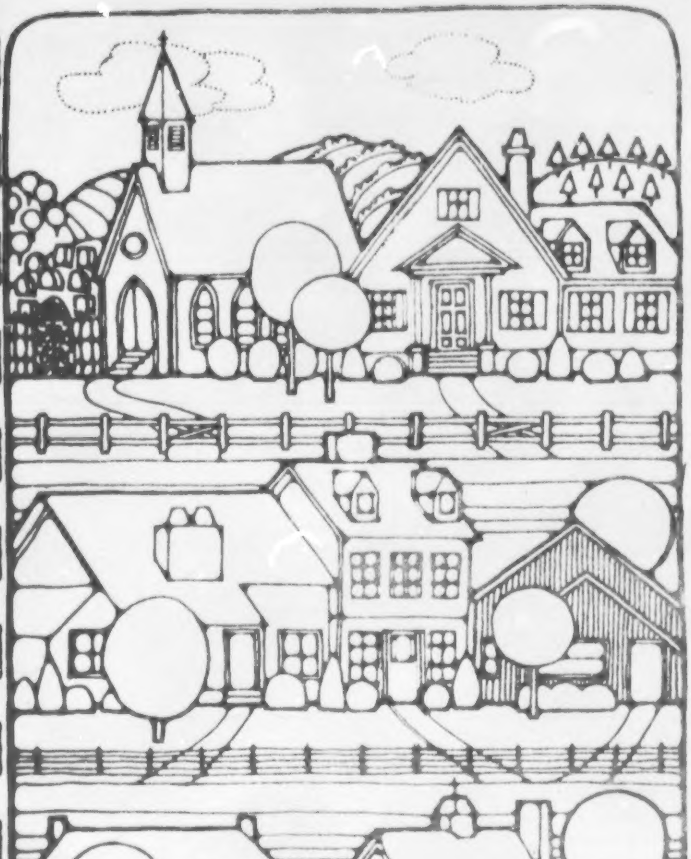
61.01.03.04

16. A
17. C
18. A
19. C
20. D

61.01.03.05

21. D
22. D
23. C
24. C
25. D

Family Education Program



A PLACE TO LIVE

Family Training Center, Inc.

Family
Education
Program

File Code: 61.01.03.00

Date Published: 7-9-79

Learning Experience Guide

UNIT: A PLACE TO LIVE

RATIONALE:

Knowledge of the principle considerations involved will enable the individual to choose the most appropriate housing from the various options available.

PREREQUISITES:

None.

OBJECTIVE:

To be able to evaluate your family's needs, preferences and capabilities versus the available housing options in order to choose the best housing alternative for you.

RESOURCES:

1. Instructor prepared text and worksheets.
2. Tape: "A Place to Rent".
3. Pamphlet -- How to Manage Your Money
   section on Your Housing Dollar
4. Pamphlet -- Housing Costs.

GENERAL INSTRUCTIONS:

1. Read LAPs and do study guides as required.
2. Listen to tapes as indicated.
3. Completion of LAP tests with 80% accuracy.
4. If you have any problems with the material, reread sections which present the information.
5. Ask instructor for help if problem continues.
6. Completion of unit test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

INTRODUCTION:

You probably take your home for granted. Chances are it has been provided for you by hard work and making decisions about where you want to live. If you do not have a home at the present, this LAP will help you get ready to make those decisions wisely!

It's a well known fact that most persons rent their first place to live, but as they grow older they "move up" in housing much in the same way they do in their jobs. They are also highly mobile -- move from job to job through promotions, and from place to place. This mobility and "moving up" means that a person's housing needs changes several times during his/her life. Also known is that most people eventually "move up" to owning their own home.

All this means that you -- and most of your friends and acquaintances -- will have to make some decisions and take some actions about housing several times. You can't do this wisely unless you know what's important, what's available, how to make the choice, and how to do everything that has to be done before you finally move in. By completing this LAP, you will be in a better position to handle those problems and decisions when they face you.

OVERVIEW: -- What this LAP is all about!

This LAP deals with housing. All of us have to live some place, and making the right decision about where we live has a lot to do with our happiness. The LAP helps you understand more clearly how to go about making your own housing decisions.

The information in the LAP is divided into six parts. 1) Points out some of the very personal factors which must be considered seriously if we are going to choose housing which will really satisfy us, 2) The LAP provides you with an overview of the types of housing generally available to all of us, 3) Helps us identify the two major sources of information about housing and its availability in your town, 4) This part covers the advantages of renting a place to live, and 5) Explores what's in a lease, the document (or contract) which we sign when renting and, finally 6) Outlines some of the advantages and considerations of owning your own home, all in pretty general terms. The technical and tricky kinds of things that are involved in buying a house you can pick up from your lawyer when that time comes.

PERFORMANCE:

Completing the LAP completely with little or no help. If you run into something that you're not sure about, go back and reread the information. Then if you are still not sure ask for help. Do not try to proceed through the LAP if you don't understand all you have covered.

EVALUATION:

1. Completion of LAP activities.
2. Completion of LAP tests with 80% accuracy.
3. Completion of Unit test with 80% accuracy.

COMPETENCY:

You will be able to complete the steps to choosing the right housing for you.

1. Listing personal factors on housing.
2. Definition of different types of housing.
3. Knowing sources of information about housing
4. Knowing advanatages/disadvantages -- Renting vs. Buying
5. Information in a lease.

ASSIGNMENT:

Read the cover page of the LAP, then proceed to the reading of the text doing the exercises enclosed.

File Code: 61.01.03.01

Date Published: 7-9-79

Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Factors Affecting Your Choice of Housing

OBJECTIVE:

To realize and discuss the personal factors which should be considered before making any decisions about housing.

EVALUATION:

1. Completion of LAP activities according to checklist
2. Completion of LAP test with 80% accuracy.

RESOURCES:

Attached -- Factors Affecting Your Choice of Housing"
Study Guides
LAP test

PROCEDURE:

1. Read LAP -- "Factors Affecting Your Choice of Housing".
2. Complete all LAP study guides.
3. Have instructor validate materials from checklist.
4. Complete LAP test with 80% accuracy.

OBJECTIVE:

To realize and discuss in writing the personal factors which should be considered before making any decision about housing.

Choosing housing involves many practical decisions. But even before you get down to the nitty-gritty of selecting the housing you want and that you can afford, there are certain personal factors which need to be taken into serious consideration. These factors play an important part in helping you find the kind of housing which will give you security, enjoyment, and satisfaction.

(Continue on page 2)

Principal Author(s): Christine Olson

LIFE STYLE --

This has to do with you values, what is or is not important to you has to do with your values. Some people place great value on social standing and financial prestige. Some want to live in an exclusive neighborhood. Some like the quiet life while others like to be near the action, close to stores, malls, etc. Some people prefer to spend as little as possible on housing and use money for trips, expensive entertainment, or fancy sport cars.

LIFE CYCLE --

A person's position in the life cycle predetermines many things about his housing needs. A single teen-ager can usually live at home. A single young adult or a newly married couple want and need other housing facilities. A couple with young children are concerned with space, schools, neighborhood, in a different way. And so on through the life cycle to retirement, the position (age level) at which one finds himself, has much to do with housing choices. All of these things which seem important to you go to make up your life style. Think it through--maybe even make a list of your priorities--and see if you can get some insight on the type of housing you might want to look for.

PERSONAL FEELINGS --

These factors are somewhat like the life-style considerations, but are even a bit more personal. Such things as your likes and dislikes concerning older homes or apartments versus new construction; lots of space versus compact quarters; pride of ownership versus freedom from responsibility. Although personal feelings are more difficult to generalize about, (that's because they are personal) the way you feel about things must be taken into consideration.

DESIRE FOR EXTRAS --

Many epople consider housing as a basic necessity to take care of their need for shelter. Others want the place they live to be more than that. They look for larger rooms, bigger lots, more landscaping, more built-in gadgets, and the like. But however you feel about these extras--that is those things which are over and above the level of need--must be considered as you lay the groundwork for selecting a place to live.

FINANCIAL ABILITY --

Before anyone begins to decide on housing for himself or his family, he must take a good look at his financial condition and determine his financial ability as it affects housing. A commonly accepted rule of thumb is that not more than 1/4, or 25%, of take-home pay should be budgeted for housing. And of course, that's just for continuing monthly costs, and does not take into consideration the necessary down payment needed for buying or the security and deposits needed when renting.

PROBABLE MOBILITY --

Sometimes we get so used to being where we are that we think very little about moving. But when it comes to deciding about housing, it's necessary to sort of judge whether or not you're going to be in that same town, or part of town, for a relatively long period of time. Also, you need to project the likelihood of wanting to "move up" in housing as you advance in your job and salary. This is a particularly important consideration when making decisions about renting or buying a place to live.

The reason for thinking these factors through before getting serious about the nitty-gritty decisions about housing should be pretty obvious by now. Choosing housing is just one of many important consumer choices we have to make. Good choices are made on the basis of our needs and wants (desires) and the allocation of our resources (generally money) in order to gain the things we need and want. And so it is with housing. . . .and that's why we need to know what factors must be considered before housing decisions can be made intelligently.

ACTIVITY #1
Study Guide

"CHOICE OF HOUSING"

Now check yourself!

Without looking, write the six personal factors which should be considered before attempting to choose any type of housing:

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________
6. ______________________________

Which factors are the most important to you? ______________________________

____

Why? ____

____

____

Sizing Up Your Needs and Preferences: No two families are the same in their needs and wants for housing. Before you go looking for a home think about what factors are needed for your family and what type of housing will best suit these needs.

HOUSING CHECKLIST:

Here are some of the questions to ask yourself when you're looking for a place to live --

1. Number and sizes of rooms.

    a. How many people will live there?
    b. How many bedrooms should you have?
    c. How many bedrooms are in the place you're looking at?
    d. How many other rooms are there?
    e. Is the kitchen large enough?
    f. Are the other rooms large enough?
    g. How many closets do you need?
    h. How many closets are in the place you're looking at?

2. Layout.

    Do you like the layout?
    How many of these good features does it have?
    a. You can get to the kitchen from an outside door without going through another room.

2. Layout (continued)

   b. You can go to the bathroom from the bedroom without being seen from the livingroom.
   c. You can go to the bathroom from the livingroom or kitchen without going through a bedroom.
   d. You can go directly from the kitchen to the diningroom.
   e. The closets are well placed for the purposes they are used for. (Example: The linen closet is near the bathroom and bedroom.)
   f. The windows face in at least two different directions.
   g. There is plenty of light and air.

3. Condition.

   a. Do the windows open and close easily?
   b. Look at the corner of the rooms. Are the corners of the baseboards true and tight?
   c. Is the surface of the walls smooth and even?
   d. Are the wooden floors smooth and in good condition?
   e. Walk slowly across the floor. Is it quiet, without squeaks and creaking?
   f. Is the plumbing in good shape?
   g. When you turn on several faucets and flush the toilet at the same time, does the water run properly?
   h. Does the house have enough electricity? (Ask how many "amps" there are. The very least you will probably need is 60 amps).
   i. Are there enough electrical outlets? (There should be an average of one per 12 feet of wall).
   j. If there is a basement, is it dry?
   k. Is the outside of the house in good condition?
   l. If it is an apartment house, are the entrances, halls, mailboxes, elevators, and stairs clean?
   m. Is there any area around the house where adults can sit and the children can play?

4. Location.

   a. Is there an easy way to get to work from the location you are looking at?
   b. If you have children, is there a school near?
   c. Is there good shopping near?
   d. Do you like the neighborhood?
   e. Are the houses near by clean and well kept?
   f. Do you want to be near the big city life?
   g. Do you love to go to concerts and shows?
   h. Are nearby neighbors important to you?
   i. Is the type or class of neighborhood important to you?
   j. Do you enjoy peace and privacy above all?
   k. Do you hate traffic and noise?
   l. Do you want to be near the great outdoors?

5. General Factors.

   a. Are the streets nearly quiet?
   b. Are the walls thick enough to shut out the noise?
   c. Is there a stove? Refrigerator? Other appliances?

5. General Factors (continued)

   d. Will the landlord paint?
   e. Will he do repairs?
   f. Is there a superintendent?
   g. Who pays for water? gas and electricity? heat? garbage pick-up?
   h. Is there a lease? If so, for how long?
   i. Have you read the lease?

6. The Housing Itself.

   a. Is room to entertain important to you?
   b. Is a patio or a balcony important to you?
   c. Is room to add on important to you?
   d. Are quiet, cozy rooms what you want?
   e. Is a fireplace what you want?
   f. Is a large homey kitchen what you want?
   g. Do you enjoy fixing things?
   h. Do you enjoy doing yard work?
   i. Do you mind sharing your front lawn?

Sizing Up Your Capabilities:

Regardless of your family's needs and wants, you must be able to afford whatever type of housing you select. The following questions should guide you in determining what type of housing you can actually afford.

1. How much is the initial outlay?

   This would include such costs as the rental deposit, the installment down payment, or the mortgage down payment.

2. How much are the monthly payments?

   This would include such costs as rental payments, installment payments or mortgage payments.

3. How much do utilities cost on the average?

   This would include the monthly costs of electricity, heating fuel, water and garbage disposal.

4. How much are the yearly taxes?

   This would include such costs as property taxes, personal property taxes, and mobile home taxes.

5. How much is the necessary insurance?

   This would include such insurances as fire insurance, theft insurance, and liability insurance.

6. How much does upkeep cost on the average?

   This would include such costs as lawn and garden care, house painting, repair of broken items, replacement of worn out items and other general maintenance costs.

ACTIVITY #2

"WORKSHEET ON HOUSING"

1. Assume that you and your family must move to a city that is 100 miles from your present home. Consider the needs, tastes and activities of your family; and for each category below note a specific detail your family should look for or inquire about when looking for a place to live. Why is each detail important to your family?

Convenience to work and shopping: ____________________

____

____

Transportation: ____________________

____

____

Community Services: ____________________

____

____

Neighborhood: ____________________

____

____

Inside the house: ____________________

____

____

Outside the house: ____________________

____

____

Equipment and facilities: ____________________

____

____

2. Make a list of what you would look for in a house.

3. After you have finished your occupation and exit the program, is where you plan to go going to influence the above items? How? ____________________

CHECKLIST

Activity	Date Completed	Instr. Init.
1.		
2.		

Family Education Program

File Code: 61.01.03.02

Date Published: 7-10-79

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Advertisements, Realtors and Mortgages

OBJECTIVE:

The student will apply the principles of the housing industry regarding a place to live.

EVALUATION PROCEDURE:

1. Completion of LAP activities according to attached checklist.
2. Completion of LAP test with 80% accuracy.

RESOURCES:

Attached -- Advertisements, Realtors and Mortgages.
Newspaper -- with housing ads.
Pamphlet -- A Home of Your Own -- page 12-17, Modern Consumer Education Grolier
Cassette Tape -- A Place to Rent -- Education Corporation, New York, New York.

PROCEDURE:

1. Listen to cassette -- "A Place to Rent".
2. Read section of LAP on ads.
3. Obtain a newspaper with housing ads.
4. Read LAP section on realtors.
5. Obtain pamphlet -- A Home of Your Own and then read pages 12-17.
6. Read LAP section on mortgages.
7. Complete all LAP study guides.
8. Complete LAP test with 80% accuracy.
9. Have instructor validate materials from checklist.

Principal Author(s): Christine Olson

One way to find the kind of housing you are looking for is to walk up and down the street looking for "For Rent" or "For Sale" signs. That takes up a lot of time, and is really not a good way to go about it.

Another way is to talk to lots of people you know and tell them what you are looking for. Perhaps they, or their friends, know of just the apartment or house that would fit your needs. That's not a bad way of looking for a place to live--but it's not the best either. What then are good sources for housing information? Let's look closely at two.

1. NEWSPAPER ADVERTISEMENTS

Almost every newspaper has a classified advertising section. Listed there will be several kinds of housing, usually under such headings as "Apartments -- Furnished" or "Apartments -- Unfurnished" or "Houses for Rent" or "Houses for Sale." Under each heading you will find a selection of housing units, some being sold or rented by the owner and some by agents.

These classified advertisements are found in daily and weekly papers, but the largest and most complete listing is usually found in the Sunday editions of daily newspapers.

If you will take a look at some of these ads in your local paper, you will note that they are usually very short, and use a language which may be difficult to understand. There are many terms and abbreviations commonly used in classified housing ads which you should understand.

1. immed passn = if you rent or buy, you may move in immediately.

2. 1 jam brk = one family brick house.

3. 2 car gar = includes a garage large enough to accommodate two cars.

4. furn = the unit is furnished.

5. sch and trns = schools and public transportation are close.

6. 2 yr ls = if you rent this unit, you'll be expected to sign a lease which runs for two years.

7. riv vw = you can see the river from the apartment or house.

8. finish bsmt = the basement is finished; it has a ceiling, wall coverings, and finished flooring.

A PLACE TO RENT

HOW TO READ THE NEWSPAPER ADS FOR HOUSES

The words in the classified ads are abbreviated in two ways:

1. The endings are left out:
   "Modern" becomes "mod"
   "Renovated" becomes "ren"

2. The middle is left out:
   "Lease" becomes "ls"
   "Large" becomes "lg"

GLOSSARY OF ABBREVIATIONS

Rm	(room)
Bdrm	(bedroom)
Bth	(bathroom)
Apt	(apartment)
Fl	(floor)
Fam	(family)
Hse	(house)
Gar	(garage)
Bsmt	(basement)
Sup	(superintendent)
Brkr	(broker)
W	(week or weekly as in $100/W)
Nr	(near)
Bet	(between)
Lvrm	(livingroom)
Ktch or Kt	(kitchen)
Bldg	(building)
Elev	(elevator)
Det	(detached--not connected on any side to the house next door)
M	(month or per month as in $100/M)
Inq	(inquire--that is, ask or call)
Avail	(available)
Immed Occy, Occup, or Occ:	(immediate occupancy--you can move in right away)

EXAMPLE: 2 Fl Apt Hse, Made of Brk = 2 floor apartment house, made of brick.

ACTIVITY #1

Write out these ads in full:

Lg 2 Rm Apt, 3rd Fl, Share Bth
Ask for Sup, No Brkr Fee. $45/M

3 Brdm, 1½ Bth, Avail Oct 1, Inq Sup

Write an ad of your own:

3 Br Cond -- Refrig, slfclning ov, centrac, upgrd crptg, tiled flrs, deck, extras.
Low $40's. 609-448-8516.

Here is a classified advertisement listed under Apartments For Rent. In the space below the ad, write out the full meaning of the ad in complete words.

FURN. 6 rms, riv vw. Cls to sch and trans. Adlts only. $180 mo.
2 yr. ls. Call 799-1644.

Why the abbreviated language in the ad? It's simple, once you see it written out completely, it costs money to have the newspaper print the ad. The more newspaper space used, the more it costs. Abbreviated ads are much cheaper than ads which spell out the information in complete words.

You surely have the idea by now of how these classified housing advertisements use this unusual language. Check your local newspaper and see if you can translate the language of advertising into a language that you understand.

ACTIVITY #2
"NEWSPAPER AD"

Slip an ad from a newspaper -- attach to a piece of paper and write out the ad in full.

2. REALTOR --

This person makes his living by helping other people find housing.

A Realtor is a professional who is licensed to sell real estate. He knows all the rules involved in buying and selling real estate, and legally is the "medium" through which a real estate sale is usually made. For his services he usually charges between 6% and 10% of the selling price of the unit.

A Realtor also helps owners and renters get together by keeping an up-to-date listing of apartments and houses that are for rent. He will help housing customers find the kind of housing they are looking for. He charges a fee for this service.

Real estate agents and rental agents do pretty much the same kinds of things as does a Realtor. For our purpose, it is not necessary to distinguish between them--for they all serve as a valuable source of housing information.

-- Realtors represent the seller in the buying and selling of houses. However, they can generally be depended upon to deal with their buyers honestly and responsibly, because:

   a. the activities of realtors are regulated and policed by the organization of realtors as well as by the state government.

   b. most realtors are in business in one location for a long period of time. They, therefore, depend heavily on their reputation to attract new sellers and buyers and to turn old buyers into their new sellers.

   c. realtors generally screen their buyers to determine their needs, preferences and capabilities before they show any houses. This screening helps you and them to focus in on only those houses which you are likely to want and be able to afford.

d. once you have decided upon a house that you want to buy, a realtor can handle procedures for you. The fee for these services costs you nothing. The seller pays the realtor for selling his house (usually about 6% of the selling price).

What to Watch Out For

BEWARE OF "MENTAL POSSESSION." "Mental Possession" refers to the fact that a house once viewed and liked tends to get better looking the more you think about it. In other words, the house with all of its pluses and minuses begins to take possession of your mind. The problem with mental possession is that it distorts your original listing of needs, preferences and capabilities to suit the house. You, therefore, end up trying to buy a house that really does not suit you or your family, and if you do get to the point of actually buying it, you will more than likely have to pay the penalty for poor judgement in a big matter -- MISERY!

BEWARE OF HOUSING DEFECTS. Before you buy any house, be sure to check it out thoroughly. You should give special attention to the following items.

1. The neighborhood. Make sure that there is no likelihood of new zoning laws or other neighborhood changes that will be harmful to your property and its value.

2. The structure. Make sure that your house does not have any pest problems and that it is structurally sound. One way to test structural soundness is to check the floors to make sure that they are level everywhere.

3. The plumbing. Make sure that the plumbing is sound. Check the water for rust deposits indicating old and worn-out pipes. Check the water in the toilet bowl to see that it fills and stays full until flushed.

4. The electrical wiring. Make sure that the electrical wiring is safe and adequate. Check the wiring for worn spots on the covering and burn marks on the nearby walls and ceilings. Check the carrying power to make sure that your electrical system can provide adequate power for all of the demands that you intend to place on it.

5. The insulation. Make sure that the insulation is adequate for the climate in your area. One way to check the adequacy of the insulation is to ask the former owner to let you see his heating bills for the past year or two.

BEWARE OF PAYING TOO MUCH. Before you buy any house, make sure that you know how much it is worth. In order to do this, you should have it appraised by a professional appraiser. In other words, you should have an expert determine the actual dollar value of the house: Do not trust anyone (including the original owner, the realtor, the financer) except a professional appraiser hired by you to tell you what a particular house is worth. And once you find out how much the house is worth, do not pay more than that amount.

Financing a House

Mortgages: After you've shopped for your house, shop for a mortgage loan. This type of loan on the average will cover from 60% to 75% of the total price the house is going for. The schedule of repayments that you make to pay back the loan can vary anywhere from 10 years to 30 years.

1. Check to see what miscellaneous service fees you must pay the lender. Some charge loan applications, credit reports, and notary service fees in addition to a loan starting fee, others do not.

2. All lenders require you to carry hazard insurance and to keep it in affect during the life of the loan. But insurance company rates do vary, so go where you can get the best deal.

3. Find out if the lender will allow your mortgage to be taken over by someone else should you decide to sell, and ask if a cover fee would be charged.

4. Check for a future advance clause. This allows you to borrow money for emergencies or repairs at the same interest rate as the original loan.

The three main kinds of mortgages are:

1. CONVENTIONAL MORTGAGE -- With this kind of mortgage there is one set maximum amount which can be borrowed.

   "Advantages" - Though most of the loans are for up to 75% of the property value, there is a minimum of red tape and the waiting period is usually just a few days. A conventional mortgage is usually the fastest and easiest to get, though the down payment is larger than FHA or VA.

   "Disadvantages" - The repayment periods are generally shorter than for FHA or VA loans (10 to 25 years). Down payments, frequently regulated by law, are relatively larger (usually 25 to 40% of the appriased value). Interest rates may be higher on this form. In this type of mortgage, the borrower must pay an insurance premium along with his interest and principal payments adding to the money involved to pay on the mortgage.

2. FHA MORTGAGE -- This form of mortgage is obtained through a federal lending institution, but it is insured by the Federal Housing Authority of the U.S. Government. This means that if you are unable to make your own mortgage payments the FHA will make them for you.

   "Advantages" - The repayment period can stretch as long as thirty years, or even thirty-five years in some special cases. The down payment is very low, lower interest charges. All kinds of home buyers are able to use this mortgage to purchase homes with low monthly payments.

   "Disadvantages" - There may be a lot of red tape involved and a long wait while the loan is being processed and while the FHA determines whether or not the house meets the FHA's standards of construction, liability, and location.

2. FHA MORTGAGE (continued):

For details on current terms of FHA - backed mortgages consult the Federal Housing Administration, Department of Housing and Urban Development, 451 7th Street S.W., Washington, D.C. 20410.

3. VA MORTGAGE -- This form of mortgage is also obtained through a regular lending institution, and it is insured by the Veterans Administration of the U.S. Government.

"Advantages" - Up to 100% of the appraisal value of a home can be borrowed so that no down payment is required. If there is a down payment, it is low. The repayment period on this mortgage runs up to 30 years.

"Disadvantages" - This type of mortgage may be hard to find. There is a certain amount of red tape involved. Only qualified veterans of the Armed Forces can apply. An appraisal is required, and this appraisal fee is added to the closing costs. However, the appraisal often serves to lower the buyers' asking price, so it may save more than it costs.

For details on current terms for VA - backed mortgages, consult your local VA office or write the Veterans Administration, Washington, D.C. 20420.

Mortgaging Institutions:

Commercial banks -- they usually require a larger down payment, and they want the mortgage to be repaid in from 15 to 20 years.

Savings banks -- they often allow a lower down payment, and they may give you up to 30 years to repay.

Savings and Loan Associations -- they specialize in home mortgage loans and their terms are similar to those of savings banks.

ACTIVITY #3
Study Guide

"MORTGAGES"

1. If you were going to buy a house, which type of mortgage would you use? Why?

____

____

2. What are the major differences between the different types of mortgages?

____

____

ACTIVITY #4
Worksheet

"MORTGAGES"

In the right-hand columns below are listed three basic types of Home Mortgage Loans: Conventional Loans, FHA Loans and VA Loans. Read the statements at the left, then decide which type of loan each describes. Indicate your decision by placing a check mark in the appropriate column.

	HOME MORTGAGE LOANS		
	Conventional	FHA	VA
1. This type of loan generally requires a larger down payment than the other types of Home Mortgage Loans.			
2. The federal government insures part of this Home Mortgage Loan, which can be obtained by a qualified veteran only.			
3. Only the borrower and the lender are involved in this type of loan.			
4. For this type of loan, the borrower must pay an insurance premium along with his interest and principal payments.			
5. This type of loan was developed to permit all kinds of Home Buyers to purchase homes with low monthly payments.			

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		
3.		
4.		

File Code: 61.01.03.03

Date Published: 7-10-79

Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Six Types of Housing

OBJECTIVE:

The student will demonstrate the type of housing needs for their individual families.

EVALUATION PROCEDURE:

1. Completion of the LAP activities according to checklist.
2. Completion of LAP test with 80% accuracy.

RESOURCES:

Attached -- "Six Types of Housing"
Pamphlet -- How to Manage Your Money -- pages 23 and 24, American Bankers Association.
Pamphlet -- A Home Of Your Own -- pages 6-7, Modern Consumer Education, Grolier Educational Corporation, New York, New York.

PROCEDURE:

1. Read LAP -- "Six Types of Housing".
2. Obtain the pamphlet -- How to Manage Your Money -- read pages 23 and 24.
3. Obtain the pamphlet -- A Home Of Your Own -- read pages 6-7.
4. Complete all LAP study guides.
5. Have instructor validate materials from checklist.
6. Complete LAP Test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

Earlier in this Unit, you learned about some of the personal factors which must be taken into consideration before any decisions are made about the type of housing you want for yourself. If you have thought these through, you probably now have a pretty good idea of what kind of housing you would choose--at least in general terms. Now let's see if we can be more specific about types of housing available. Of course, housing, like any consumer commodity, varies from town to town, and from year to year, in terms of what and how much is available. You'll have to make some judgements about what's available in your town.

There are several kinds of apartments you should know a little bit about.

EFFICIENCY OR STUDIO APARTMENTS:

This is usually the cheapest type of apartment simply because it is usually the smallest. In housing, like almost everything else, you get what you pay for. The efficiency or studio apartment usually consists of one room with a kitchenette (stove, sink, and refrigerator--all small), bathroom and some closet space. It's not a bad choice for one person who spends most of his time at the job or just "out", but might be a little too small for a couple, or someone who likes to entertain friends.

These small apartments, like the larger ones, are found in all kinds of buildings (high-rise, low-rise, garden apartments, etc.) in all kinds of localities. They can usually be found either furnished (rents will be much higher) or unfurnished.

ONE- OR TWO-BEDROOM APARTMENTS:

These apartments are designed for more than one person--married couples with or without children, or two or more girls or boys who want to pool their housing budgets--and generally consist of at least a livingroom, kitchen, bath(s) and bedroom(s). Once again, you can usually find them in most any kind of building in various locations; and they come furnished and unfurnished.

LUXURY APARTMENTS:

These are much like the one- or two-bedroom apartments, except that they are usually larger, have dining rooms and perhaps a den. Luxury apartments also generally have terraces and/or patios, expensive carpets and wall coverings plus delux kitchen appliances including a dishwasher. These are almost always rented unfurnished, and usually found in more affluent neighborhoods, and are more expensive. Some even have servant's quarters.

Apartment "pros" --

--require little care on renter's part
--generally less expensive than owning
--easy to move into or out of

Apartment "cons" --

--other tennants may create annoying disturbances
--apartments are generally not as roomy as houses
--landlords usually impose certain restrictions on their tenants

ACTIVITY #1
Study Guide

"APARTMENTS"

1. Jim Sowers has found a new job in another town. He and his wife are looking at apartments and have found a building they like, but they cannot decide between a one-room efficiency apartment and a one-bedroom apartment. The rent is about the same for both apartments. The one-bedroom apartment has a very small bedroom and a small living room. The efficiency apartment is about the same size as the one-bedroom apartment, but is only one room with a foldaway bed. Indicate the advantages and disadvantages of each alternative by completing the form below.

EFFICIENCY APARTMENT

Advantages	Disadvantages

ONE-BEDROOM APARTMENT

Advantages	Disadvantages

2. If you were looking for an apartment, which of the above mentioned types would be best for your family's financial standing and size? ____________________
Why? ____
____

CONDOMINIUM:

A condominium is a multiple-dwelling structure of apartments that you purchase and own. You are responsible for taxes, upkeep, repairs, decorations and all the other things that a house owner must do. All property in the complex which is not specifically part of the condominium is owned jointly by all the condominium owners. There is a monthly charge--in addition to the condominium ownership--to take care of taxes and maintenance on this joint property.

"Pros"

--tenants are able to share many luxuries like swimming pools and game rooms which they might not be able to afford individually.
--building care and upkeep is taken care of by a maintenance crew.
--most condominiums are quite roomy as compared with regular apartments.

"Cons"

--tenants have numerous neighbors whom they must be able to share common areas and facilities with.
--most condominiums have restrictions which the tenants must abide by.
--some companies which sell and operate condominiums have been known to promise more and better maintanance service than they end up giving.

FRAME HOUSES:

The housing goal of most people is to some day own their own home. The type of housing most homeowners purchase is a one-family dwelling. This is also a type of housing which can be rented, however, most houses are acquired by their owner's for their own residences, rather than for rental (income) property.

"Pros"

--offer a good deal of privacy generally.
--usually well built and roomy.
--resale value is generally high.

"Cons"

--require a large down payment.
--expensive to operate and maintain.
--require time and effort to maintain.

MOBILE HOMES:

A mobile home is more than just a house trailer or a vacation camper. It's really a special kind of factory-built portable housing. A mobile home has been defined as a complete home designed for year around living which is shipped in finished form on a structural frame with wheels and brakes similar to a travel trailer. But a mobile home is generally so large and heavy that it cannot be pulled by an automobile, so it is transported by a special tractor to a homesite where it is connected to utilities and becomes permanent residence. There are both advantages and disadvantages of mobile home living, but you should be aware that a new mobile home is usually delivered completely furnished. This could be important to a young adult or young married couple when looking for their first home.

MOBILE HOMES (continued):

"Pros"

--can be placed in remote areas
--most come fully furnished.
--relatively inexpensive form of housing.

"Cons"

--tend to be poorly insulated.
--heating costs generally high.
--value goes down quite rapidly.

FOR SALE
OR
FOR RENT

ACTIVITY #2
Study Guide

"DIFFERENT TYPES OF HOUSING"

Complete the following statements.

1. A permanent residence that is shipped in furnished form on its own wheels to a homesite is called a ________________________.

2. A _____________________ apartment has one room, a kitchenette, bathroom and closet space.

3. An apartment which is owned by the occupant is called a ________________.

4. A large apartment with a terrace, dining room and den, several bedrooms and more than one bathroom would be called a ____________ apartment.

5. Tell the difference between the different kinds of apartments.

   a. ____

   b. ____

   c. ____

6. Which would you recommend to a friend, buying a mobile home or buying a frame house? _____________________ Why? ______________________________________

   ____

7. Which of the mentioned types of housing would suit your family's needs?

   _____________________ Why? ____

Checklist

Activity	Date Comp.	Instr. In.
1.		
2.		

Family Education Program

File Code: 61.01.02.04

Date Published: 7-10-79

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Leases and Landlords

OBJECTIVE:

Describe the principles of a housing lease and responsibilities of landlord and renter.

EVALUATION PROCEDURE:

1. Completion of LAP activities according to checklist.
2. Completion of LAP test with 80% accuracy.

RESOURCES:

Attached -- Leases and Landlords.
Pamphlet -- You and Your Landlord -- Modern Consumer Education, Grolier Educational Corporation, New York, New York.

PROCEDURE:

1. Read LAP "Leases and Landlords".
2. Obtain and read copy of, "You and Your Landlord".
3. Complete all LAP study guides.
4. Have instructor validate materials from checklist.
5. Complete LAP Test with 80% accuracy.

Principal Author(s): Christine Olson

Now comes the lease. A lease is that legal document which spells out the agreement you make with your landlord (the owner of the rental property) with you as the tenant (the renter and occupant of the property). A lease is a kind of contract, and you should always follow good consumer procedure before you sign a lease. That meas that:

1. You read the lease completely before you sign it.
2. If you don't understand any part of it, --ask!
3. You look for any blank spaces.
4. You make sure that you are willing to live up to everything you are agreeing to do.
5. Check the lease to make sure it contains all necessary information.

What kinds of information should you look for? Here's a list of kinds of information which should be in every lease. Some leases have much more, but no lease should have less.

Names of Tenant and Landlord -- Make sure the names are included and that they are spelled correctly.

Period of Time for Which Lease is Effective -- Every lease is good for only a specified period of time. Most leases are for one year, however, they can be made effective for a shorter or a longer period of time.

Description of the Premises -- This means specific identification, such as "Apt. 4-B, 260 Maple Avenue". Without that correct information you can't be sure that you are renting a specific apartment in a large apartment building.

Right of Landlord to Inspect Premises -- The landlord owns the property and has probably reached ownership through a large outlay of money. Even though he rents the property to you, he will want to inspect the property periodically to see that you are not destroying it. He has a right to do so, but this needs to be spelled out in the lease.

Amount of Rent to be Paid -- This seems obvious, but before you sign, be sure it's in writing.

Date Rent is Due -- This is usually the first day of the month, but it doesn't have to be. If it's in the lease, then both you and the landlord understand when your rent is due and payable.

Responsibility for Maintenance and Decorating -- Failure to have this spelled out in the lease can cause some pretty heated arguements and hard feelings. It's necessary to reach an agreement about keeping the place in shape and decorating from time to time before you move in. That should be part of the lease.

Included in your rent will be a small additional charge for the upkeep of the grounds in an apartment building.

If you are renting an individual house -you, the renter, pays for the maintenance of the property.

Amount of Security Required -- Security is generally an amount of money which you deposit with the landlord when you move in. If you leave the place at the end of your lease in good condition, the security is returned to you. If you leave it with repairs needing to be done, then the landlord can use the security to fix it up for the next tenant. The amount of security required is usually one month's rent.

Details Concerning Subletting -- If you sign a lease for a period of one year, and then find at the end of six months that you need to move to another town, you want to end the lease. Sometimes this is allowed, and sometimes it's not. One way to save you from paying rent for the last six months of the year is to rent the place to someone else and arrange for him to pay either you or the landlord. Lots of arrangements are possible, but to avoid argument and save you money, make sure it's covered in the lease.

Rules for Keeping Pets -- Even though you don't have a pet when you move in, you may want to get one in the future. The lease should let you know whether you are allowed to keep a pet in the apartment or not. Some leases do not allow children, let alone pets!

Responsibility for Utility Costs -- Once again, to avoid any arguments or misunderstandings, the lease must contain necessary information about who's going to pay for the electric or gas bill, who's going to pay for heating the place, etc.

Provision for Changing the Lease -- Sometimes things change and we have not anticipated the changes. That's why it is a must for the lease to spell out how the tenant and the landlord can go about changing it. Usually this involves agreement from both parties first, then initiating the changes when they are written in the lease. That makes it legal.

Special Rules for Tenants -- This section of the lease may be very short, or it might be very long. It generally includes many things which you may or may not be allowed to do on or to the premises. This section needs to be read very carefully before signing so that you understand exactly what you are agreeing to do when you sign the lease.

A. Number of people. Many leases have statements which restrict the number of people who may live in your apartment to those who have been named in the lease.

B. Automatic renewal clause. Some leases state that you must tell the landlord in advance if you want to leave at the end of your lease. If you do not tell him, then your lease will be automatically renewed.

ACTIVITY #1
Study Guide

"SAMPLE OF A LEASE"

See if you can find some of this information, read the partial lease printed below, and then write the information from the lease in the blanks.

1. Agreement of Lease: Made as of May 17, 1978, between George Smith, the landlord, and Becky Jones, the tenant. The landlord hereby leases to the tenant, apartment 4-C at 22 High Street for a term of one year to commence on June 1, 1978, and end on May 31, 1979, both dates inclusive. The monthly rental shall be $175.00 payable the first day of each month in advance, beginning on June 1, 1978. In addition, the tenant will deposit one month's rent, $175.00 security.

   Name of tenant: ______________________________

   Name of landlord: ______________________________

   How long is the lease effective? ______________
   From ______________ to ______________

   Description of the premises ______________________

   Amount of rent $______________ per ______________

   Date rent is due ______________________________

   Amount of security required ______________________

2. Why should you read a lease completely before signing? ______________

   ____

   ____

3. Why is having a lease important to a renter? ______________________

   ____

4. What types of information are usually stated on a rental lease? Besides quest. #1.

   ____

   ____

   ____

5. Write up a lease on a house that you want to rent.

____

____

____

____

____

____

To lease or not to lease. A lease is a legally binding agreement, and because it is, there are certain advantages as well as disadvantages in having one. Here are some of them.

ADVANTAGES

1. Your landlord cannot raise your rent during the period of your lease.
2. You cannot be evicted without due cause as determined by the lease agreement.
3. Your rights and responsibilities are clearly defined so that your landlord cannot make new rules and regulations after you move in.
4. Having a lease may be the only way that you will be able to move into many of the better types of apartments.
5. If you live in a building where all of the tenants are required to have a lease, you will be protected from some of the more annoying habits of your fellow tenants.

DISADVANTAGES

1. You will not be able to move until you lease is up without either paying a penalty or the remaining months' rent.
2. You will not be able to do those things which are forbidden by your lease.
3. You will be "stuck" with the aggravations of your landlord, neighbors or building until your lease is up.

NOTE: If you decide to leave before your lease is up, you are legally responsible for:

1. The remaining months' rent --or--
2. The rent payments up until the time someone else rents your apartment.

TENANT RIGHTS AND RESPONSIBILITIES

What the landlord owes you -- When you rent an apartment, the landlord agrees to let you use his property (the apartment) upon the condition that you pay him rent. But beyond this, what the landlord must give you is dependent only upon the specifics of your lease and the sometimes basic state and city laws that spell out what services the landlord must give his tenants. Most state and city laws require at least the following services:

1. provision of running water
2. provision of heat in cold weather
3. provision of electricity
4. provision of plumbing in good working order

Some state and city laws require the removal of trash, the provision of lighting in common areas, and the periodic painting of apartment interiors. Other services may also be required in certain areas, but you should remember that your landlord only has to do what the law says. Obviously then, if the state and city laws in your area do not require the landlord to do very much, make sure that you get your landlord to put whatever he agrees to do in writing. After all, if it's not in the lease and not in the state or city laws, the landlord doesn't have to do it.

What you owe the landlord. When you rent an apartment (or a house), you are using someone else's property. You should, therefore, take care of it and leave it in the same condition that you found it. It is your duty to:

1. Pay your rent on time.
2. Keep your apartment reasonably clean.
3. Take care of your apartment interior and its furnishings.

However, you must not:

1. Make any structural changes such as building a permanent room divider or putting in an extra window.

2. Damage the property--for instance, breaking a window or putting holes in the wall.

3. Make any changes the landlord will have to undo when you leave such painting the walls hot pink or gluing mirrors on the ceiling.

NOTE: When in doubt about what you can or cannot do, ask your landlord.

What you owe the other tenants. When you live in an apartment, you are living in common with your fellow tenants. What they do can affect you, and what you do can affect them. Therefore, it only makes good sense for you to be as considerate of your neighbors as you can be. Here are some of the things which you should do as part of a good neighbor policy.

1. Keep the volume on your stereo or TV low enough that it will not disburb your neighbors. Sometimes, it is a good idea to run a test with your neighbors to see which number on the volume dial produces a sound level which is acceptable to all.

2. Refrain from using such appliances as dish washers, blenders and sewing machines during evening hours. Many people want to watch TV or relax at this time, and the above stated appliances interfere with TV reception and create quite a racket. Try to use these appliances when others are at work or at least during the day time when their noise will not stand out so much.

3. Refrain from doing building projects requiring noisy tools. Few people can tolerate pounding or sawing for very long.

4. Observe your buildings quiet hours. Most buildings have a period (usually 10 p.m. to 8 a.m.) when even ordinary noises should be kept to a minimum. Even if your building has no such regulations, it is usually a good idea to be extra quiet at these times so that everyone can sleep or relax as they choose.

5. Keep your pets under control. Your pet may be very adorable to you, but others may dislike having him jumping on their children or soiling the hallways. If he's your pet, then he's your responsibility, and the rights of other tenants come first.

What about eviction? Most tenants never have to worry about being evicted or forced to leave their apartment. They pay their rent on time, keep their apartment clean, and get along with their neighbors. These are the kind of people landlords want and justifiably so. But occasionally, however, an unscrupulous landlord may try to evict a "good" tenant unfairly. He may want to rent the apartment for a higher rent, or he may take a dislike to a tenant that is demanding needed improvements. In any case, the landlord is being unfair to the tenant. What should the tenant do?

He should get a lawyer.

A lawyer will be able to determine what the tenant's rights are in that particular locality and under that particular lease. He can also help the tenant take any legal action against the landlord which might seem justified. If you as a tenant cannot afford a lawyer, then go to the Legal Aid Society in your area. Here they will provide you with free or low-cost legal help.

Getting your rights. If your landlord is not upholding his part of the lease agreement according to the laws in your particular locality, then you might take action in the following order.

1. Ask the building manager to take care of your problem.

2. Write or ask the landlord to take care of your problem.

3. Complain to the proper authorities in your locality.
   Example: building inspector for structural violations
   fire department for fire hazards
   health department for sanitary violations

4. Get a lawyer and take any legal action which seems advisable.

ACTIVITY #2
Study Guide

"YOUR RIGHTS"

1. According to most state and city laws, what four things does your landlord owe you?

   a. ______________________________

   b. ______________________________

   c. ______________________________

   d. ______________________________

2. What three things do you owe the landlord?

   a. ______________________________

   b. ______________________________

   c. ______________________________

3. Do you owe the other tenants anything in your building? If so, what?

____

____

4. When renting, what are some of the items you are unable to do to the rental property?

____

____

____

5. Why do you think it would be to your disadvantage if the landlord was completely powerless to exit any tenant?

____

____

____

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		

File Code: 61.01.03.05

Date Published: 7-11-79

Family Education Program

Learning Activity Package

Student: __________

Date: __________

PERFORMANCE ACTIVITY: To Rent or To Buy?

OBJECTIVE:

The student will determine whether it is better for him/her to rent or to buy.

EVALUATION PROCEDURE:

1. Completion of LAP activities according to checklist.
2. Completion of LAP test with 80% accuracy.

RESOURCES:

Attached -- Advantages of Renting
Study Guide Activities
LAP Test

PROCEDURE:

1. Read LAP -- Advantages of Renting
2. Complete all LAP study guides
3. Have instructor validate materials from the checklist.
4. Complete LAP Test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

And now comes the big question about housing--is it better to rent or to buy? Obviously, that question will be answered differently by different persons. You will probably do like most young adults do, decide to rent until you are either ready or can afford to buy. Let's at least assume that's your decision, and see if we can discover what's involved in choosing a rented place to live.

First of all, you'll need to make some decisions concerning locality--the town, the neighborhood, the area, etc. Then you'll want to figure out about how much space you want--and can afford. Don't forget those personal considerations about your life-style, personal feelings and so on. With that much in mind, you can probably decide from the alternatives discussed in this LAP.

When you zero in on a place that you might be interested in, then it's time to look closely. What to look for? Is it furnished or unfurnished? If you have to buy furniture, that's more money to get started. Take a good look at the general condition of the building, the safety conditions, the heat, electric and other utilities. Check out the privacy offered, the parking facilities, security, conveniences such as laundry facilities and kitchen appliances. In general, take a good look around, and pay special attnetion to those things which are particularly important to you.

But before you sign, let's take a look at some of the advantages of renting over buying. That should help you see from a broader perspective what it's all about, and give you more confidence that you're doing the right thing.

Here's a list of the most obvious advantages of renting.

Small Capital Outlay Required:

You don't need to have such a large amount of money to rent a place as you would need to buy. If you were buying, you'd probably have to come up with at least 20% of the purchase price. With today's prices, you can't find much for less than say $25,000. Suppose you'd like to go that route, you'd need $5,000 just for the down payment, not counting other closing costs, etc. So one of the advantages of renting, is the small capital outlay required.

Little Responsibility for Upkeep and Maintenance:

Wherever you live, there are a lot of little chores that have to be done to keep the place looking nice. In addition, there are routine bigger jobs that have to be done to keep everything in working order. If you rent, most of these responsibilities will fall to the owner--or landlord--and you won't be required to take care of them yourself, or to pay for the costs involved.

Fixed Rental Expense:

Housing usually accounts for a substantial part of everyone's budget. Most experts say that you can allow up to 25% of your bring-home pay for housing. But beyond that, if you can rent, you are sure of the rent at least until the end of your leasing period. That makes it much easier to budget for housing. On the other hand, a homeowner has to be ready to fix things that break down or repair damages to the house. This means additional expense which really can't be budgeted because no one knows just when it's going to happen.

Greater Mobility:

This is no doubt one of the biggest reasons young adults choose to rent rather than to buy. Today it's not uncommon to be transferred from job to job, or to change jobs frequently when just starting out and moving up. Also, if you are successful, that means you earn more money and can afford to move up in the housing you choose. That's another advantage of renting--when you move, few problems. But if you own and move, then you have to go through a lot to sell the old place. Sometimes that takes a lot of time--and in a poor market time, it may mean a loss on your investment--so mark up one more advantage for renters--greater mobility.

Cheaper in the Short-Term:

This goes back in part to our first advantage, capital outlay. But it also includes extra costs in owning a home such as closing costs, taxes, interest on the mortgage loan, insurance, etc. But those extra costs in the beginning can be offset over the "long-term" in the equity (money value of the property) which you build up through regular payments. So we can say that renting is cheaper than buying--in the short-term, that is--and this is another advantage for renting.

Now that you've decided on the rental property you want to move into, and know the advantage of doing this rather than buying, you're ready to sign the lease. But that's a pretty important step in housing, so before you go ahead why not check yourself below by listing the five advantages of renting a place to live. Don't look at the answers that has just been discussed before you write.

ACTIVITY #1

1. The five advantages of renting are:

   a. ______________________________

   b ______________________________

   c. ______________________________

   d. ______________________________

   e. ______________________________

2. For your family, is it a good idea to rent? Why? ______________________________

"Renting Pros" --

- *small amount of money tied up in rental deposit
- *much lower costs regarding insurance payments, taxes, utility bills.
- *few, if any, upkeep costs.
- *little, if any, time or work spent on care and maintenance.
- *far easier to change addresses.

"Renting Cons" --

- *much less personal privacy.
- *more restrictions regarding pets, noise, etc.
- *problems regarding noisy and inconsiderate neighbors.
- *less living space in most instances.
- *problems regarding the sharing of common areas and facilities.

Now let's look at the other big alternative--buying a place to live, rather than renting. There are some real advantages to owning your own home, but that may be in the future--at least a little farther down the road--than renting. Most young adults, married or single, usually start out by renting an apartment, a house, or a mobile home. But after a few years, they begin to settle down a bit more permanently, and have the urge to have a home of their own. Assuming that you will follow that pattern of "moving up," it's best to gain some insight now about the reasons for doing it.

Pride and Enjoyment of Ownership:

Probably the greatest single motivation for buying our own home is to be able to select housing that pleases us and satisfies our needs and desires.

Investment:

By owning your own home, you are getting more than receipts as you make monthly payments. When reting, you pay monthly for the privilege of living in the property. In making monthly house payments, you are also building equity--investment ownership--which increases your net worth.

Hedge Against Inflation:

Much like the investment advantage, homeownership helps fight inflation losses. In inflation, the buying power of the dollar goes down drastically, and it takes more dollars to stay even. Prices of real estate, especially houses, usually go up with other inflationary prices, and our net worth (or dollar power) goes up too.

Incentive to Save:

Again, part of that financial security advantage of owning your own home, regular monthly payments add up to a method of forced savings. We all think saving is a good idea, but many times we don't do it unless we're forced to.

Taxes Deductible:

Homeowners have to pay real estate taxes. These taxes are used to support schools, community services such as police, fire departments, city government, water, sewers, parks, etc. They can be considered an investment in your town. But the money you pay for real estate taxes is also deductible when you make out your annual income tax report, and lower the amount of income tax you have to pay.

Interest Deductible:

Most people, when they buy a home, don't pay cash for it. Instead they pay part cash, and the rest in a mortgage loan. Like all loans, mortgage loans require that you pay interest. That interest you pay on a mortgage loan is deductible as the annual income tax is figured, and reduces the amount of income tax you have to pay.

Extra Space:

Usually a rented place, be it house, apartment, or mobile home, is limited in the amount of space it offers. Homeownership opens up lots of possibilities in terms of house size and living space. You can have all the space you want--providing of course that you can afford to pay for it.

Freedom to Make Improvements:

You learned from the part on leases that as a tenant you can make improvements or redecorate only as your landlord says it can be done. If you own your own home, you can do pretty much as you please in improving your property, as long as you can afford the improvements and do not break any local laws or ordinances.

Improves Credit Rating:

When applying for credit--for whatever purpose--home-owners generally get a "break". This is true because the homeowner has a record of making payments on time and is considered a more "stable" credit risk.

Those are some of the advantages of owning your own home. The real advantages probably are greatest in terms of the personal factors involved in housing decisions which was discussed earlier. But nearly all the surveys and statistics available indicate that homeownership is one of the highest goals and ambitions that people have.

But owning a home has some problems too. It takes more money to buy (the down payment) than to rent. It requires generally getting a mortgage loan, and that can be quite complicated. There are other legal aspects of buying a home that cannot be overlooked. This area will not be discussed now, but you should remember this. Before you buy a house, hire your own lawyer to advise, guide and represent you in the process. His fee will probably more than pay for itself.

Another thing to remember about homeownership is the responsibility that goes with it. When renting, you can expect the landlord to do--or have done--much, if not all, of the upkeep and maintenance. As a homeowner, that is up to you.

But most experts tell us that owning your own home is much like everything in life--the pride and enjoyment gained is worth the effort and responsibility you have to put forth to achieve it.

Buying versus Renting -- As has been discussed in the last two sections you can tell there is a large difference between buying and renting.

The "pros" and "cons" of buying versus renting:

"Buying pros"

*greater privacy from next door neighbors.
*greater freedom from landlord restrictions regarding pets, noise, etc.
*more living space in most instances.
*freedom to decorate and remodel.
*pride and prestige of personal ownership.

"Buying cons"

*large initial down payment.
*much higher insurance payments.
*much higher taxes.
*much higher utility bills.
*much higher upkeep costs.
*large amount of time and work spent on care and maintenance.

ACTIVITY #2
"RENTING VERSUS BUYING"

1. List the advantages of owning:

a. ____________________
b. ____________________
c. ____________________
d. ____________________
e. ____________________
f. ____________________
g. ____________________
h. ____________________
i. ____________________

2. For your family, why or why not would it be best to own your own home?

____

____

____

____

3. How does owning a house compare with renting a house? ____________________

____

____

____

Put a check mark (✓) in the space before each word or phrase which might be considered an advantage of owning your own home.

____ incentive to save

____ interest deductible

____ increases mobility

____ decreases responsibility for maintenance

____ improves credit rating

____ requires capital outlay for down payment

____ freedom to make improvements

____ hedge against inflation

____ taxes deductible from income taxes

____ extra space

____ pride of ownership

____ investment stands up well against economic changes

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		

Student: ______________________ File Code: 61.01.03.05

Date: ______________________ Date Published: 7-11-79

Family Education Program

LAP TEST: TO RENT OR TO BUY?

1. Renting an apartment usually offers:

   a. accumulation of equity.
   b. freedom from responsibility for reqpris and maintenance.
   c. interest and taxes deductible from income taxes.
   d. large rooms.

2. Which of the following is true of home ownership?

   a. it is much less expense than an investment.
   b. it is usually as cheap as renting.
   c. it is always a good investment.
   d. it has many hidden costs.

3. Which is not an advantage of renting?

   a. mobility.
   b. fixed rental expense.
   c. privacy.
   d. upkeep and maintenance.

4. What is not an advantage of renting?

   a. few problems when moving.
   b. easy to move if transferred to another job.
   c. close neighbors.
   d. easy to change jobs.

5. Which is the best hedge against inflation?

   a. homeownership.
   b. renting.
   c. mobile home.
   d. apartments.

6. What is interest deductible?

   a. annual income tax.
   b. reduces the amount of income tax you have to pay.
   c. mortgage loan.
   d. an investment.

7. What is not an advantage of owning your home.

   a. extra space.
   b. freedom to make improvements.
   c. improves credit rating.
   d. sharing walls with neighbors.

8. Which form of houring improves your credit rating the most?

   a. renting.
   b. home ownership.
   c. mobile home
   d. frame house

9. What is not a problem of owning a home?

   a. high taxes.
   b. greater privacy from next door neighbor.
   c. higher utility bills.
   d. upkeep costs.

10. What is one item that does not go with owning a home?

    a. freedom
    b. responsibility
    c. pride
    d. enjoyment

LAP TEST ANSWER KEY: TO RENT OR TO BUY?

1. B
2. C
3. C
4. C
5. A
6. B
7. D
8. B
9. B
10. A

Student: ____________________ **File Code:** 61.01.03.04

Date: ____________________ **Date Published:** 7-11-79

Family Education Program

LAP TEST: LEASES AND LANDLORDS

1. A legal contract between a tenant and a landlord is known as:

   a. lease
   b. security
   c. mortgage
   d. capabilities

2. The security deposit on an apartment is usually:

   a. a tenant's income for one month.
   b. $100.00
   c. a month's rent
   d. $50.00

3. What information is usually stated in a rental lease?

   a. responsibilities of landlord only.
   b. responsibilities of landlord and renter.
   c. monthly costs of utilities.
   d. policies of housing commission.

4. What is your legal responsibility if you leave before your lease is up?

   a. to pay the rent until the lease is up even if the landlord rents your apartment to someone else.
   b. to pay the rent for one additional month and to find another tenant.
   c. to pay the rent until the lease is up or until the landlord rents your apartment to someone else.
   d. to leave without any further payment required.

5. Which of the following services must a landlord provide according to the laws of most cities and states?

   a. provision of electricity.
   b. provision of hallways.
   c. provision of trash barrels.
   d. provision of recreational facilities.

6. Why should you refrain from using a sewing machine during the evening hours?

   a. sewing machines make more noise than stereos or TV's.
   b. sewing machines are noisier at these times.
   c. sewing machines interfere with TV reception.
   d. sewing machines require more electricity than stereos or TV's.

7. What is one thing that you should not do when you sign a lease?

   a. read it completely before signing.
   b. leave blank spaces after signing.
   c. ask to have parts explained when not clear.
   d. make sure that the lease has all the necessary information.

8. Which of the following services do you owe your landlord?

   a. to pay your rent on time.
   b. improve your apartment.
   c. paint the walls any color you want.
   d. make any structural changes you want.

9. What action should you not do if you are not getting your rights from your landlord?

   a. get a lawyer.
   b. sit back and do nothing.
   c. complain to the proper authorities.
   d. take any legal action needed.

10. Which section of a lease can cause some pretty heated arguments and hard feelings?

   a. amount of rent to be paid.
   b. details concerning subletting.
   c. rules for keeping pets.
   d. responsibility for maintenance and decorating.

LAP TEST ANSWER KEY: LEASES AND LANDLORDS

1. A
2. C
3. B
4. C
5. A
6. C
7. B
8. A
9. B
10. D

Student: ______________________ File Code: 61.01.03.03

Date: ______________________ Date Published: 7-10-79

Family Education Program

LAP TEST: SIX TYPES OF HOUSING

1. A building ready for occupancy when towed to a site is:

   a. module
   b. equity
   c. mobile home
   d. condominium

2. A multiple-dwelling structure in which each tenant owns his own unit is called:

   a. a condominium
   b. a tenement
   c. a cosmopolitan
   d. a flat

3. Which of the following is generally true of condominiums?

   a. tenants must share their bathroom facilities with adjoining units.
   b. tenants must share the work of maintaining the building and lawn.
   c. tenants are able to share added luxuries which they may not be able to afford individually.
   d. tenants are not able to buy their own unit.

4. Which form of housing would require the least amount of maintenance by you.

   a. a rented apartment.
   b. your own mobile home.
   c. a rented house.
   d. your own home.

5. Which is a "pro" point of an apartment?

   a. tennants may create annoying disturbances
   b. landlords have restrictions you have to follow.
   c. only one door in many of the apartments.
   d. require little care on renter's part.

6. Which is a "pro" point of a condominium?

   a. numerous neighbors with whom they share facilities.
   b. you have to do all of your own maintenance.
   c. numerous neighbors.
   d. tenants are able to share many luxuries like swimming pools and game rooms.

7. Which is a "con" of a frame house?

   a. monthly payments are less than renting.
   b. offers a good deal of privacy.
   c. requires a large down payment.
   d. no effort to maintain.

8. What is one point that is positive in the line of a frame house?

   a. require a lot of time.
   b. expensive to operate.
   c. usually well built and roomy.
   d. expensive to maintain.

9. When looking for a mobile home what is one item that might change your mind?

   a. easy to move.
   b. large heating bills.
   c. most come with furniture.
   d. little house cleaning.

10. Which apartment is owned by the occupant?

   a. studio.
   b. luxury.
   c. efficiency.
   d. condominium.

LAP TEST ANSWER KEY: SIX TYPES OF HOUSING

1. C
2. A
3. C
4. A
5. D
6. D
7. C
8. C
9. B
10. D

Student: ____________________ File Code: 61.01.03.02

Date: ____________________ Date Published: 7-10-79

Family Education Program

LAP TEST: ADVERTISEMENTS, REALTORS AND MORTGAGES

1. A realtor is a person who:
   - a. sells real estate.
   - b. owns his own home.
   - c. is a house builder.
   - d. sells apartments.

2. Which of the following rental abbreviations is correctly identified?
   - a. mod (moderate)
   - b. ren (rental)
   - c. ls (lease)
   - d. lg (language)

3. An FHA mortgage is:
   - a. loaned by the FHA
   - b. insured by the FHA
   - c. discovered by the FHA
   - d. payed off by the FHA

4. When a realtor helps you to find a home, who pays his fee?
   - a. the seller.
   - b. yourself.
   - c. the bank.

5. One of the best ways to check the plumbing in a house is to:
   - a. run the hot water.
   - b. tap on the pipes.
   - c. flush the toilet.
   - d. put Drano down the sink drain.

6. What is "mental possession"?
   - a. an illegal transaction whereby a realtor and a seller force a buyer to take a house which he has consented to buy.
   - b. a legal term for that part of the real estate transaction whereby the new owner takes over the property.
   - c. liking a house so much that you want to buy it even though it does not fit your needs, preferences, or capabilities.
   - d. an agreement to buy that was never put in writing but was later enforced.

7. When looking for an apartment you will not find them listed as:

   a. Apartments
   b. Apartments -- furnished
   c. Apartments -- furnished, except bed
   d. Apartments -- unfurnished.

8. A realtor for his services usually charges:

   a. between 8% and 12% of the selling price of the unit.
   b. between 12% and 14% of the selling price of the unit.
   c. between 5% and 8% of the selling price of the unit.
   d. between 6% and 10% of the selling price of the unit.

9. Which is one point you should check before buying a new home?

   a. number of children in the area.
   b. distance to the stores.
   c. the plumbing.
   d. mortgage

10. Which mortgage will pick up the payments if you are unable to make them.

    a. VA mortgage
    b. FHA mortgage
    c. conventional mortgage
    d. none of the above

LAP TEST ANSWER KEY: ADVERTISEMENTS, REALTORS AND MORTGAGES

1. A
2. C
3. B
4. A
5. C
6. C
7. C
8. D
9. C
10. B

Student: ______________________ **File Code:** 61.01.03.01

Date: ______________________ **Date Published:** 7-9-79

Family Education Program

LAP TEST: FACTORS AFFECTING YOUR CHOICE OF HOUSING

1. When you go house hunting, you should bring with you:

   a. a small set of tools.
   b. proof of your ability to pay.
   c. the recommendation of a realtor.
   d. a checklist of desired features.

2. It is usually agreed that you should spend no more than:

   a. 1/2 of your monthly take-home pay on housing.
   b. 1/4 of your monthly take-home pay on housing.
   c. 1/5 of your monthly take-home pay on housing.
   d. 1/3 of your monthly take-home pay on housing.

3. Which is not a personal factor when considering the kind of housing you need.

   a. personal feelings.
   b. life style.
   c. enjoyment.
   d. financial ability.

4. Good choices in housing are based on:

   a. needs and wants.
   b. monthly income.
   c. consumer.
   d. two years income.

5. When checking the condition of a house which item would help you decide to by the home:

   a. the corners of the baseboards are not true and tight.
   b. the outside of the house needs painting.
   c. there are enough electrical outlets.
   d. the surface of the walls are ruff and uneven.

6. Why is the location of the house important?

   a. friend in area.
   b. good shopping area near.
   c. city life.
   d. traffic.

7. How much are the monthly payments?

    a. This includes costs of rental payments, installment payments or mortgage payments.
    b. Rent or mortgage payments.
    c. Property Tax.
    d. Rent and insurances.

8. How much are the yearly taxes?

    a. property tax.
    b. personal tax.
    c. shelter tax.
    d. property and personal tax.

9. If you make $600 a month, your total monthly housing cost should be no more than:

    a. $250
    b. $200
    c. $150
    d. $100

10. When you look at your needs, what should you not look at:

    a. number and size of rooms.
    b. the layout.
    c. condition.
    d. the next neighborhood.

LAP TEST ANSWER KEY: FACTORS AFFECTING YOUR CHOICE OF HOUSING

1. D
2. B
3. C
4. A
5. C
6. B
7. A
8. D
9. C
10. D

Student: ____________________ File Code: 61.01.04.00

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Family Education Program

UNIT TEST: WHEELS

61.01.04.01

1. In determining the quality of a car, which of the following is probably the most important check:

   a. cylinder compression check.
   b. front end alignment check.
   c. brake cylinder check.
   d. master cylinder check.

2. The seal and signature of a Notary Public on a Bill of Sale certifies the:

   a. legality of the signature.
   b. character of the signers.
   c. fairness of the contract terms.
   d. legality of the sale.

3. What is the most common proof of ownership?

   a. conventional ownership.
   b. Bill of Sale.
   c. Title of Ownership.
   d. simple possession.

4. Which of the following is true of finance contracts?

   a. they are easily read and understood by most people.
   b. they let the buyer use something before he has paid for it.
   c. they are almost always intended to entrap the buyer.
   d. they are too old fashioned to be used in this day and age.

5. What is the most important thing in working a good deal for yourself on a new car?

   a. going to a small dealership.
   b. talking fast and smoothly.
   c. knowing the exact dealer costs.
   d. presenting an "I don't care" attitude.

61.01.04.02

6. The larger the down payment on a car may:

   a. put you in debt on your other bills.
   b. be the less money you will need to borrow.
   c. the smaller the credit charge.
   d. none of the above.

61.01.04.02 (continued)

7. The finance charge of a contract must be:
   - a. clearly typed or written.
   - b. does not always have to be stated.
   - c. terms of credit.
   - d. compared with other sources of credit.

8. If you are comparison shopping for credit you should:
   - a. be misled.
   - b. compare add on or discount interest rates.
   - c. not be sure that you are comparing the same rates.
   - d. sign anything.

9. What is the only way to protect yourself in a buying situation?
   - a. to know the facts and to act accordingly.
   - b. to offer a ridiculously low price at the beginning.
   - c. to talk fast and smoothly.
   - d. to operate with a casual attitude.

10. What is usually the most important step in economizing on any car?
    - a. breaking your engine in slowly.
    - b. keeping your speed under 55 mph.
    - c. changing your oil as seldom as is possible.
    - d. buying right to begin with.

61.01.04.03

11. When is the best time to trade-in your old car?
    - a. when repair and maintenance have already cost you more than depreciation.
    - b. when depreciation will cost you more than repair and maintenance.
    - c. when repair and maintenance will cost you more than depreciation.
    - d. when depreciation has already stopped.

12. If you finance your car through a car dealer, how much interest should you expect to be charged?
    - a. about 1% to 2% less than through a credit union.
    - b. about the same as through a bank.
    - c. about as much as through a finance company.
    - d. about 1% to 2% more than through a bank.

13. Which of the following usually costs you the most during the first few years of car ownership?
    - a. getting the kinks out.
    - b. depreciation costs.
    - c. gasoline for major trips.
    - d. insurance for theft and collision.

61.01.04.03 (continued)

14. It is the nature of all machinery to:

    a. wear down and fall apart.
    b. improve consistently with use.
    c. last as long as it is maintained.
    [✓ d. cost more to own as time goes on.]

15. In the life of most cars, when depreciation costs go down:

    a. gasoline costs go up.
    b. repair and maintenance costs go up.
    c. insurance costs go up.
    d. automobile taxes go up.

UNIT TEST ANSWER KEY: WHEELS

61.01.04.01

1. A
2. A
3. D
4. B
5. C

61.01.04.02

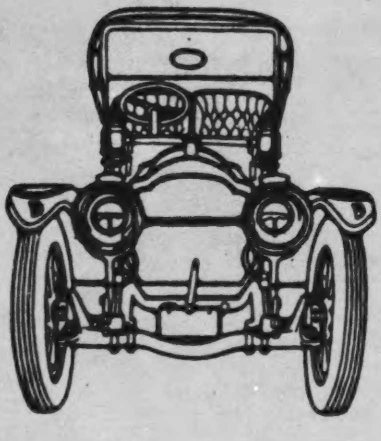
6. A
7. A
8. B
9. A
10. D

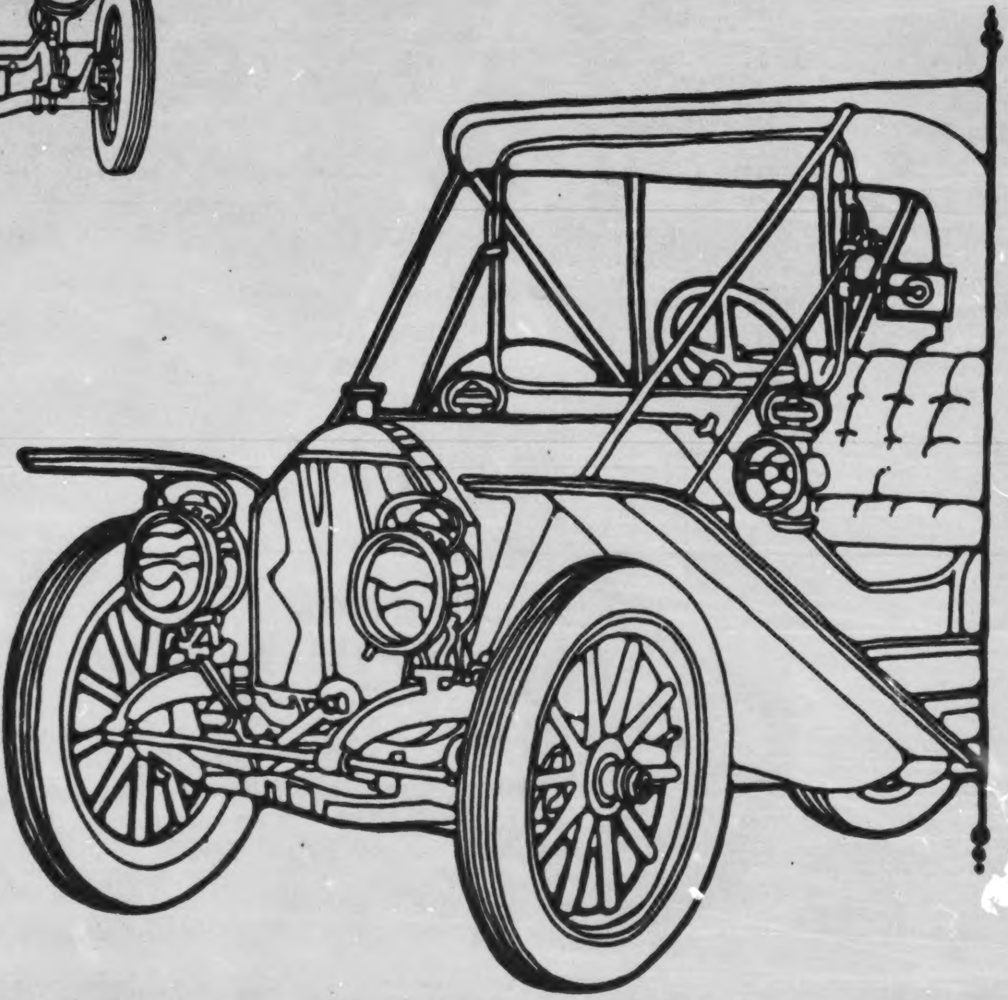
61.01.04.03

11. B
12. A
13. A
14. A
15. B

Family
Education
Program

WHEELS





Family Training Center, Inc.

File Code: 61.01.04.00
Date Published: 7-11-79

Learning Experience Guide

UNIT: WHEELS

RATIONALE:

Comparing and contrasting the various aspects of car buying enables a family to choose the most appropriate option for them.

PREREQUISITES:

None.

OBJECTIVE:

To know and understand some of the principles and procedures of economical car buying.

RESOURCES:

1. Instructor prepared worksheets and text.
2. Pamphlet: Common Sense in Buying a Safe Used Car.
3. Book: Official Used Car Guide.
4. Pamphlet: The Costs of Running A Car
5. Pamphlet: Checking Out A Used Car
6. Tape: Buying A New Car

INSTRUCTIONS:

1. Read LAP's and do activities as required.
2. Use resources as indicated.
3. Complete LAP tests with 80% accuracy.
4. Completion of LAP tests with 80% accuracy.
5. If you have any problems with the material, reread sections which present the information.
6. Ask instructor for help if problem continues.
7. Completion of Unit Test with 80% accuracy.

INTRODUCTION:

This unit teaches the principles of financing a car. The six basic questions which you should answer when financing a car are explained in six sections (refer to pg. 2).

Principal Author(s): Christine Olson

INTRODUCTION: (continued)

1. Does a loan to buy a car fit your budget?
2. What are the sources of credit for financing a car?
3. How do you pick the best source of credit?
4. Are there any unfair or illegal features in your contract?
5. What are your responsibilities after signing the contract?
6. What do you do if you can't make the payments?

Cars are exciting and fun and represent a dream come true to many people. But a car costs money--a great deal of money. Too much money for most people to pay cash for, and the majority of car buyers use credit for their car purchases. In fact, 53% of cars purchased are on credit.

OVERVIEW:

With some basic knowledge about credit and financing your car, you can make wise choices which will buy your car for the least amount of money possible. But a lack of knowledge about credit for your car can lead to loss of dollars in your pocket, and might even double the cost of your car.

PERFORMANCE:

If you run into something that you're not sure about, go back and reread the information. Then if you are still not sure ask for help. Do not try to proceed through the LAP if you don't understand all you have covered.

EVALUATION:

Being able to complete the booklet including all the projects with little or no help--especially the final problems.

COMPETENCY:

You will be able to state examples of the following:

1. Does an auto loan fit your budget and general information.
2. Sources of credit for auto loans.
3. Auto loan contract terms.
4. Unfair or illegal features of auto loan contracts.
5. The responsibilities of financing a car.
6. Recourse if you overextended your credit.

ASSIGNMENT:

Read the cover page of the LAP, then proceed to the readings of the text doing the exercises enclosed.

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Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Does An Auto Loan Fit Your Budget?

OBJECTIVE:

The student will determine whether they can afford to buy a car or not.

EVALUATION PROCEDURE:

Completion of any four of the LAP activities according to checklist.
Written decision as to whether a car fits in the budget and reasons why.
Completion of LAP test with 80% accuracy.

RESOURCES:

Attached: "Does An Auto Loan Fit Your Budget?"
N.A.D.A. Official Used Car Guide -- National Automobile Dealers Used Car Guide, Virginia.
Cassette Tape: "Buying a New Car" -- Modern Consumer Education, Grolier Ed. Corp., New York, New York.
Pamphlet: "Checking Out A Used Car" -- Modern Consumer Education, Grolier Ed. Corp., New York, New York.

PROCEDURE:

1. Read LAP, "Does An Auto Loan Fit Your Budget"? -- read up to Used Car Buying.
2. Read Used Car Buying section of LAP.
3. Obtain a copy of the Official Used Car Guide.
4. Listen to cassette -- Buying a New Car.
5. Read New Car Buying section of LAP.
6. Complete any four of the LAP activities.
7. Have instructor validate materials from checklist.
8. Complete LAP test with 80% accuracy.

Principal Author(s): Christine Olson

DOES AN AUTO LOAN FIT YOUR BUDGET?

How do you know if your budget can handle the credit to buy a car? To find out you must consider your entire financial situation.

Read the following questions to see what you need to consider.

1. Is my income steady? Will it last length of my loan?
2. What is the smallest amount of income I can be sure of each month?
3. How much money have I put aside to handle unexpected emergencies?
4. How much money do I now spend each month?
5. How much money will I need each month to make car payments?
6. How much money do I have left over each month?
7. How much will my car insurance cost a month?
8. How much a month will I need for gas?
9. How much a month will I need to set aside for repair and upkeep?
10. What foreseeable changes will occur in my expenses during the length of the loan, such as change in schooling, moving away from home, new recreational plans, etc.?
11. Will I still want the car when the loan is paid?
12. Do I have enough money left each month to easily cover all the added expenses for a car?

You should never use credit unless you are reasonably sure that you will be able to easily make the payments. Car loans take a big chunk out of your monthly income and they last for a long period of time. You want to make sure that your income will remain steady and also your expenses, so you don't get into financial difficulty. If this is your first car, you will not only be adding the monthly car payment to your expenses, but many additional costs including the insurance, gasoline and oil, maintenance and occasional large repair bills or time purchases. All these items need to be considered before taking on a credit obligation.

ACTIVITY #1
Study Guide

Randy has started an afternoon and Saturday job which should be steady and pays $160 a month. He will be able to work longer hours in the summer. His job is 7 miles away. His family pays for all his living expenses and the money he earns is his to spend. He spends about $23 a week. He wants to buy a little sports car which gets 28 miles to the gallon. Insurance would cost about $300 a year. Gas in his area is around 50¢ a gallon. He is handy as a mechanic and plans to buy a used car and keep it up himself. The car he wants costs $350.00. Figure Randy's costs for him.

How much will his gas cost to and from work a month ______________.

How much will his insurance cost a month _____________.

How much would he have left for payments and repair ______________.

The cost of cars, of course, vary greatly. The average used car price is $700. As with other products, the less you pay, the less you get as a general rule. The average repair bill per car per year is $250. Labor may cost $9 per hour plus the cost parts. If you are able to do the work yourself completely, you might be able to buy an older car than you might want to otherwise. It is much more sensible to regularly put money aside for the operational and upkeep bills which will arise. If these expenses have not been planned for, they can result in a financial crisis with difficulty meeting your obligations.

USED CAR BUYING

Private owner vs. used car dealer. As you've probably already heard, used car dealers are not usually reckoned among the most trusted people in the world, but they are not the only ones you should watch out for. Private owners can be just as tricky as used car salesmen if you do not know aht you are doing. As a matter of fact, there is only one way to protect yourself in a buying situation, and that is to know the facts and to act accordingly. For instance, suppose I offered to sell you my 1971 Ford pickup for $2,200. Would you be able to accept or reject that price based upon what you know right now? Probably not, if you're like the rest of us. Used car prices are based upon a number of factors, and they change every month as the car gets older every month. How can you judge a good price? Well. . . .

1. Look up the price in a Blue Book. A Blue Book is the price guide used by banks and tax assessors to determine the real value value of such items as used cars. The prices given are divided according to the condition of the car as well as its exact model and specifications.

2. Look up the price in a consumer's guide. Such a guide is similar to a Blue Book in terms of the information which is provided, and sometimes such a guide is easier to get a hold of than a Blue Book. No matter which source you use to determine a reasonable price, remember not to stray very far from the quoted price regardless of how great the seller claims the car is. Afterall, a hamburger is still a hamburger regardless of how much ketchup and mustard you put on it.

Price is only one problem when you're buying a car, another problem is reliability. Who is more trustworthy -- a private owner or a used car dealer? Well, either one can be, but usually private owners are easier to judge and more apt to give a better deal.

ACTIVITY #2
Study Guide

1. Look a car up in the Used Car Buying Guide and list all of the figures for that car and tell what they mean. (Car, Type and Year)

Private Owner:

. . .he is someone you can check up on. You can ask around about his car, his honesty and his driving habits.
. . .he usually will not bother to hide defects and other signs which might help you to make a true appraisal of his car.
. . .he will usually ask a more reasonable price for his car, because he has no overhead or "spiffing up" procedure to finance.

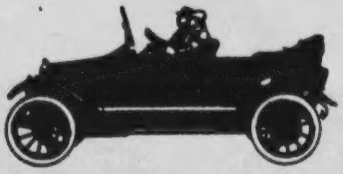
Used Car Dealer:

. . .he is someone you can check up on but you cannot usually check on the original owner of the car.
. . .he hires a special team to spiff up his cars so that no defects will show and the whole car will gleam. This makes them very appealing but difficult to appraise accurately.
. . .he will usually ask about 25-30% more than the Blue Book price to finance his overhead and "spiffing up" procedure.

Cehcking out a used car. Before you buy any car, make sure you have it checked out thoroughly by someone who really knows cars. Even the owner, no matter how honest he really is, may not really know just what condition the car is in. And another thing, when you have the car checked out, ask for a listing of the condition of every significant piece of equipment on it. A simple judgement such as "it's OK" just doesn't tell you what you need to know. Here are some of the items which should be checked out thoroughly and listed in writing.

1. Checked by yourself:

. . .the body for rust spots indicating rotting or new paint indicating possible accident damage.
. . .the shock absorbers for bouncing indicating need for replacement. Jump up and down on bumper or drive on bumpy road to test them.
. . .the interior for wear and tear indicating lost of use and perhaps more mileage than appears on odometer.
. . .the switches and controls for needed repairs indicating hard use and added expenses for you.
. . .the brake pedal for sinking, indicating possible leak in the master cylinder, wheel cylinders or lines.
. . .smoothness of take off from 20 to 60 mph, sputtering would indicate generally poor condition of engine.
. . .smoothness of braking hard at 50 mph, grabbing or pulling to one side indicating brake or alignment problems.
. . .blue color of exhaust smoke indicating burning of oil by the engine.
. . .funny noises under the hood indicating various engine trouble.



2. Checked by a diagnostic center or a reliable mechanic:

   . . .cylinder compression (probably the most important check)
   . . .brake linings
   . . .frame
   . . .cooling system
   . . .exhaust system
   . . .front end alignment
   . . .test-drive and analysis

LEGALITIES OF USED CAR BUYING

Titles means ownership. There are a number of ways by which you can indicate that you own something, but when it comes to proof -- well, that's another matter. Here are some of the ways by which ownership is indicated and proved.

1. Simple possession. For inexpensive, everyday possessions, simple possession is the most common type of proof. The shirt that you are wearing is generally considered to be yours, because you are wearing it. Ordinarily, since no one usually disputes the fact that you own the shirts which you wear, this type of proof is usually sufficient. However, if you walked out of a clothing store with a new looking coat on and the salesperson stopped you outside the door and claimed that you were trying to steal that coat, what could you do?

2. Bill of sale. In the example above you were asked what you could do if you were accused of stealing a particular coat. Well, one thing that you could do is to show the salesperson your receipt. A sales receipt is a bill of sale, and in this instance it would probably be sufficient proof that you own the coat. However, in some cases a bill of sale would not be sufficient proof of ownership. Look at the following example.

   Jan, who is a student, wants to buy a car from Bill, who is in the Air Force, for the stated price of $1,200. Bill and Jan get together and make out a bill of sale for the $1,200, which both of them sign before witnesses. Jan then gives Bill the $1,200 and drives off in her new car with the bill of sale.

   HOWEVER!!!

   Bill's recently divorced wife, Helen, comes back to town with the title of the car made out in her name. She demands the car from Jan and drives off, leaving Jan and Bill to squabble about their financial settlement.

   REMEMBER......

   Jan's bill of sale merely proved that Jan received the car from Bill. It was not a proof of ownership.

   Helen was the legal owner of the car because she had the title in her name.

3. Title of ownership. As you can plainly see from the example of Jan and Bill, she who owns the title owns the car. In otherwords, if you do not own the title you do not own the car. Let me give you another example.

   Gary wants to sell his car to Phil for $600. He himself does not have the title, but his mother, who lives in another state does. Gary tells Phil that he will give him the car for the $600, and that he will send him the title as soon as he gets it from his mother.

   Who owns the car after Phil pays the $600? Gary's mother does, because she has the title. Therefore, Gary could use another set of keys to take back the car when Phil is not looking. Phil has no legal claim to the car, but he could make a claim for the $600 which he gave to Gary. Gary has no legal claim to the car either, but he could ask his mother to transfer the title to him and then he would own it.

4. Transfer of title. When the seller of a car hands the title of that car over to a buyer, he is said to have transferred the title. In order to make this transfer legal, however, it must be accompanied by a bill of sale which both seller and buyer have signed. These signatures should be made before a Notary Public who witnesses to the fact that the persons who signed the bill of sale are the same as the signatures indicate. This bill of sale together with the title is then brought to the Registry of Motor Vehicles and handed over. The Registry of Motor Vehicles, in turn, makes out a new title with the new owners name on it. Now the new owner is the legal owner of the car.

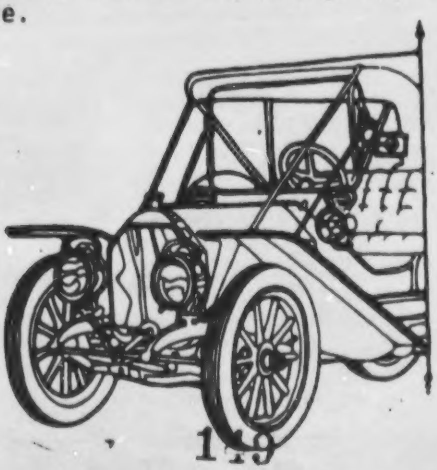
   NOTE: The Notray Public does not certify the legality of the sale, merely the legality of the signatures.

   If you buy a car from someone whose name has not been notarized on the bill of sale, the legality (whether it's a forgery or not) of the signature could later be called into question when you apply for a title transfer or when you try to sell it.

Lessons to be learned:

1. Never buy a car without receiving a title and demand that the title be handed over at the time of payment.

2. Always have the signatures on any bill of sale notarized by a Notary Public. Notary Publics do not usually charge any fee, although they can charge a small fee.



ACTIVITY #3
Study Guide

1. What are two ways by which you might judge the fairness of a price on a particular car?

   a. ______________________________

   b. ______________________________

2. Explain in your own words what is meant by the statement "Title means ownership."

   ____

   ____

   ____

   ____

3. Before you buy a used car, why should you be sure to have a listing of the condition of every significant piece of equipment on it?

   ____

   ____

   ____

   ____

NEW CAR BUYING

Selecting your wheels. Buying a new car is more than just an expense, it is also an investment, and whenever you invest your hard-earned dollars in anything, you expect a reasonable return. So before you buy a new car, it only makes sense to investigate your options carefully. Here are some things which you should investigate carefully.

1. Size. How big of a car do you really need? Did you know that, except for sports cars, automobiles are priced more by weight than by model? Therefore, while a sedan in the 3,200-pound weight class might cost $3,300 new, one in the 4,100-pound class might cost $4,300. In addition, heavier cars cost more to operate. On the average, a standard-sized car will cost 1/2 again as much to run per year (10,000 miles) as a small car, and a luxury car nearly two times as much.

2. Optional equipment. The extras trap is probably the car buyer's greatest pitfall. Did you know that the following selection of extras would boost the price of your car by 25%--automatic transmission, power steering, air conditioning, power brakes, radio and a vinyl roof. Not only is your initial cost greater, however, but your cost of operating and maintaining your car throughout its life is greater.

Here are some very discouraging averages.

--automatic transmission -- about 12% less efficient than a standard transmission on gas mileage and about 20% less efficient on brake lining mileage.

--V-8 engine -- not only costs $250 to $350 more to buy but also costs about $100 per year more in fuel bills and repairs than a six-cylinder engine.

Optional equipment is nice to have but it sure does cost a lot. One way to cut your car costs way back is by buying only those extras that you really need. Afterall, if you can afford $800 to $1,000 in extras, then you can afford a much better car which doesn't have all those extras.

3. Long-term value. A car does not cost you the sticker price. It does cost you the original price plus the operating costs for the years that you run it minus the resale price when you sell it.

sticker price
plus
operating costs
(maintenance)
(repair)
(fuel)

minus
resale price
total cost

Therefore, in order to determine the long-term value of any car purchase, you must consider not only its initial cost, but its:

* * maintenance and repair record.
* * fuel consumption record.
* * resale price record.

This type of information can usually be found in a variety of consumer digests, consumer magazines, and auto magazines.

ACTIVITY #4
Study Guide

Working a good deal. The most important step in economizing on any car is to buy right to begin with. If you pay $400 or $500 more than you had to on the original price of the car, that is one tidy sum that will be hard to make up for in better mileage, fewer repairs, and higher resale. Therefore, any time and effort you spend on working a good deal is well worth it.

By the way, the phrase "working a good deal" is salesmen's talk for the verbal snake dance they perform on their customers at the time of the sale. The sole purpose of this snake dance is to get the customer to close at a price that is good (high) for the dealer. However, if you know the formula for reverse snake dancing, you should be able to work your own good (low) deal.

Here's the formula:

1. Determine exactly which car you would like to own.
2. Write down the Basic Dealer Cost, which can be found in a variety of consumer guides.
3. Add the Shipping Charges, which can be found on the window sticker of a similar car.
4. Add $25 for Dealer Advertising.
5. Add $50 for Dealer Preparation.
6. Add $10 for initial gas and oil.
7. Add the price of each option that you want. These prices can also be found in consumer guides or on other window stickers.
8. Now add on $150 to $200 depending upon the class of the car. This is the Dealer's Profit.
9. Total all of these numbers, and you have a good deal for you which many dealers will accept once you show them that you know what a fair rpice should be.

Why will dealers accept this price?

**because they can no longer play games with you--you know what their cost is.

**because dealers get to be bigger dealers with more credit to buy more cars only by selling more cars.

**because $150 to $200 is a reasonable profit in the car business.

**because dealers need to sell cars to stay in business, but you can take your business elsewhere.

Contracting your car. Most people cannot afford to buy a brand new car outright. They must usually borrow the necessary money and then sign a contract stating that they will pay back so much of what they have borrowed each and every month until the total amount is paid off. Ordinarily, such contracts are a great convenience to a buyer, because they let him use something before he has earned enough money to pay for it. However, there are times when such contracts are so written as to either deceive the buyer into thinking that he is paying less for the item than he really is or entrap the buyer into restrictions that may very well harm him at a later date. Here are some of the "fine print" items that you should beware of before you sign any contract:

1. Balloon Clause -- clause agreeing to allow the final payment to be larger than the other payments.
2. Acceleration Clause -- clause agreeing to allow the seller or financer to declare all of the unpaid balance due immediately as soon as the buyer fails to make his payments as agreed.
3. Repossession Clause -- clause agreeing to allow the seller or financer to take back the car if the buyer fails to meet his obligations.

These three clauses are bad enough by themselves, but when they are worked in combination with one another, they are really devastating. Let me give you the example of Lou, who bought a brand new car, put it on contract, and signed this agreement to all three of these clauses at the bottom.

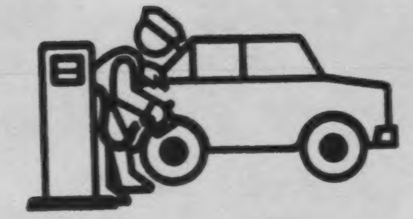
	Lou's regular payments were only $75 a month, which Lou didn't think was too bad. Ordinarily, he could pay this amount each month quite easily. But in February Lou was layed off from work. With no money coming in, Lou was not able to make his payment in March. When Lou failed
Acceleration Clause	to make his payment, the Hotsie Totsie Chevy Dealer declared all of his unpaid balance due. This meant that Lou had to pay not only the $75 for March, but the $75
Balloon Clause	for April, May, June, July, and August plus $250 for the month of September, which was to be his final payment. Well, Lou didn't even have March's $75, and he certainly couldn't pay the $625 of his unpaid balance. It was at this point that the Hotsie Totsie Chevy Dealer pulled out
Repossession Clause	his third trump -- repossession. He repossessed Lou's car, sold it to pay off Lou's debt and left Lou brokenhearted and carless.

ACTIVITY #5
Study Guide

1. What is meant by the long-term value of a new car purchase?

2. Explain how dealers like the Hotsie Totsie Chevy Dealer use these clauses to take advantage of unsuspecting buyers.

3. What did you find -- does a car fit in your budget? Also, state reasons why or why not.



Insurance for an 18 year old boy owning his first car is three times the amount his father pays for the same coverage. Shop for your insurance carefully. It is generally wise to buy through an agent, as car dealers often get a commission. If you use credit for your insurance, you will be paying credit charges for the insurances as well as the car.

Gasoline and oil costs vary from area to area and you will need to check your locality. The car you buy will make a big difference in cost of gas. Consider how many miles you will get to the gallon and also how much oil it burns.

ACTIVITY #6
Study Guide

See how complete a list you can make of expenses you will have with the purchase of a car.

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________

CHECKLIST

Activities	Date Comp.	Instr. Init.
1.		
2.		
3.		
4.		
5.		
6.		

Family Education Program

File Code: 61.01.04.02

Date Published: 7-12-79

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Car Contracts

OBJECTIVE:

Describe the principles of a car contract on the responsibilities of unfair or illegal aspects.

EVALUATION PROCEDURE:

Completion of all LAP activities according to checklist.
Completion of LAP test with 80% accuracy.

RESOURCES:

Attached -- "Car Contracts and What To Look For"

PROCEDURE:

1. Read LAP -- Car Contracts.
2. Complete all LAP activities.
3. Have instructor validate materials according to checklist.
4. Complete LAP test with 80% accuracy.

Principal Author(s): Christine Olson

AUTO LOAN CONTRACT TERMS

Now is the time to get down to business and consider the terms of your contract. You will need to decide how much the down payment you will make and how much trade-in you will get for your old car. You also need to consider the length of time your contract will run and the amount of the monthly payments.

The larger the down payment, the less money you will need to borrow and the smaller the credit charge. You will want to be sure to stay within your budget, so you take no chances of overextending yourself or making it difficult to meet living expenses. Some people use just the trade-in of their old car as down payment, but you can at least add a month's payment since your payments won't begin for a month. Often 1/4-1/3 of the total cost of the car is used as a down payment.

Hank found how the length of time affected the money in his pocket when financing his $500 car. He planned to take a direct loan from his bank.

For 1 year he would pay $44.43 monthly with a finance charge of $33.16.

For 2 years he would pay $23.54 monthly with a finance charge of $64.96.

For 3 years he would pay $16.71 monthly with a finance charge of $97.96.

Hank decided it would be easy enough to manage the $44.43 payments which would be $64.80 less than the three year plan.

ACTIVITY #1
Study Guide

Tim wants to borrow $360. Figure the cost for each plan below:

12 months at $32.83 ____________________

18 months at $22.77 ____________________

24 months at $17.73 ____________________

Choose the shortest time with the largest monthly payments you can afford. Since you pay the annual interest rate for each year of your loan, the quicker your loan is paid off, the less you pay. Also, it is unwise to tie up your future income for long periods of time, as your income, expenses, interest and value of the auto may change.

After you have carefully planned your down payment and trade-in, if any, and the monthly payment you can afford, you are ready to shop for the best terms.

We assume you want to be a smart car buyer who is interested in getting the most for his money, so when the car dealer says he will take care of your financing, you will say, "No thank you, I'm arranging my own, but I would like to know what your terms are."

DEFINITIONS:

1. "Truth-In-Lending" -- a federal law that requires creditors to show their interest charges in dollars. To let borrowers and customers know the cost of credit at each place--so the individual can compare the cost with other sources.

2. "Finance Charge" -- it is the total of all costs a customer must pay for obtaining credit. It must be clearly typed or written, stating the dollars and cents total and the annual percentage rate.

3. "Annual Percentage Rate" -- (APR) -- the relative cost of credit in percentage terms.

States also have laws which regulate the interest rates for various types of lenders; banks, finance companies and credit unions. You should check the attorney general's office in your state to find out what the law is.

Select the contract with the lowest finance charge and interest rates. Comparing the finance charge is easy--dollars are dollars. But watch out for interest rates, they can be very tricky! There are three basic systems for figuring interest rates, they are called: "Add On", "Discount", or "Annual Percentage Rate". Add On and Discount interest rates are frequently quoted because they appear to be lower than Annual Percentage Rate for the same amount of interest. Annual Percentage Rate (APR) gives a more accurate picture of the interest charge and it is the rate which the law requires shown in your contract.

Some creditors will not quote you the APR until the contract is written up. You should let them know that you wish to compare their APR to other sources of credit you are checking on and if they wish to write a contract before quoting the interest rate, that's fine, but you are going to sign the contract from the company that gives you the best deal.

If you are comparison shopping for credit, it is alright to compare Add On or Discount interest if you are sure you are comparing the same rates. Do not be misled; some systems for figuring interest rates result in a low rate such as 8% but the amount you actually pay may be more than interest figured using another system which results in an 18% rate.

ACTIVITY #2
Study Guide

GET THE PICTURE?

Let's try you out in a made-up credit situation.

You have a job and you need a car. First you carefully plan how much you can afford to pay down and how much you can pay monthly. You find a car you like and it seems to fit your budget plan. Now you start shopping for your loan. If you can borrow from a credit union that will probably be your best deal. Call the loan department of two or three banks and tell them what you would like to borrow. If they are interested they will want you to come in and make out a loan application. When you go to the banks tell the loan officer you are shopping for your credit and you would like to know what the terms of the loan contract will be. The banker may give you a sample contract. Be sure you get the two basic figures to compare. Remember? The Finance Charge in dollars, and the interest rate figured as Annual Percentage Rate. If the banks turn you down, repeat the process with three finance companies. Then select the best.

It will take some of your time, but shopping will enable you to select the best terms and could save a lot of your money.

List on a separate sheet of paper, all of the information including the type of car from the question above that you found.

UNFAIR OR ILLEGAL FEATURES OF AUTO LOAN CONTRACTS

--you have shopped well for your car and for your financing. And you have made a decision -- to buy! The next step is the paperwork or the contract. Do you know what you are doing?

The paperwork involved in auto purchases is so complex that it is easy to become confused. Some people are embarrassed to admit that they don't really know what is going on and let the salesman steer them through the maze of signing papers. Others are so eager to make that beautiful car theirs, that they get carried away. Others are just plain baffled by matters of this sort and never really learn what they are doing. It becomes very easy for disreputable car dealers to take advantage of consumers at this point.

--SO--

Slow down a bit at this point and keep your head working for you to make a wise decision. Don't let your desire for that car lead you into hasty action that you will pay for for several months. Here are some things to consider.

Make sure that your auto dealer is reputable. Most of them are but there are some who will take advantage of you. Have people you know had dealings with them? Were their reactions favorable? If you have any questions, consult your Better Business Bureau.

Are you clearheaded and alert? Sometimes salesmen use a system of selling by sending you to so many people that you can become tired of the whole thing and just want to get it over with by signing whatever they put in front of you. If so, go home and sleep on it. Don't put up with high pressure salesmanship--it is bad manners that you do not need to subject yourself to. There are plenty of dealers around who care that you take the time to make a wise decision that you will be happy with.

> It is very important to never put your name to anything you do not fully understand or agree with.

Before you sign. . . . .go through the following checklist:

: The stated total price is the same.
: Everything the salesman promised is written down.
: Make sure that all statements are true and accurate.
: Make sure there are no blank spaces.
: Make sure that you understand and agree with all provisions.
: What happens if you are late in paying? If you miss payment?

AUTO LOAN CONTRACT AND SECURITY AGREEMENT

Account Number-666666

Laura R. Searle, Inc., Used Cars Galore
3244 South 360, Creditville, Loanland 24680

Date: March 5, 1976

by: Sheldon Wicks
(interviewer)

I hereby order the following merchandise:

Division	Description	Price
Used Bugs	Yellow with green dots	$350.00

Beginning April 1, I will pay $30.97 per month for 12 months until the amount financed and the financed charge is paid--

Cash Price	$350.00
Cash Down Payment	35.00
Amount Financed	315.00
Finance Charge	56.64
Total of Payments	371.64
Annual Percentage Rate	27%

Ownership remains with Searle, Inc., until paid in full. Until paid for, I agree that I have risk of loss or damage; I will not sell, transfer possession of, remove or encumber the property without written permission; upon default on the terms of this agreement, you may repossess the property. I will also wash your car for one year. (Glad you're reading your contract!)

NOTICE TO BUYER:

1. Do not sign this contract before you read it, or if it contains blanks.
2. You are entitled to a copy of this contract. Keep it to protect your legal rights.
3. If you pay in full in advance, any unearned charge will be related at charge of $5.00.

Signature: ______________________________

Address: ______________________________

City: ____________________ State: ______________ Zip: ________

ACTIVITY #3
Study Guide

What is missing in the contract on page 6?

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		
3.		

File Code: 61.01.04.03

Date Published: 7-12-79

Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Special Consideration of Car Buying

OBJECTIVE:

The student will apply the principles of credit regarding responsibilities and overextention.

EVALUATION PROCEDURE:

Completion of LAP activities
Completion of LAP test with 80% accuracy.

RESOURCES:

Attached -- "Special Considerations of Car Buying."

PROCEDURE:

1. Read LAP "Special Considerations of Car Buying"
2. Complete all LAP activities.
3. Complete LAP test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

THE RESPONSIBILITIES OF FINANCING A CAR

Well, you are now the proud owner of a new auto contract! And you now have the responsibilities that go with it. What are they?

When you sign an auto loan contract, you agree to:

1. Make all payments promptly.
2. Plan your expenses and do not overextend yourself.
3. Keep full collision and comprehensive insurance in force on the car until it is paid for.
4. Not damage or misuse the car.
5. Not to sell the car.

As you carry out the terms of your contract, you will develop spending habits which will determine how easily you can get credit again. Your ability to get credit is based on three main factors: your character, your capacity, and your capital.

1. Character -- which is your money integrity. In otherwords, your honesty or willingness to pay based on your record of past payments. If you have a record of paying bills promptly when they are due, your character would be considered good.

2. Capital -- which is your fianacial resources. This would include your variour assets such as your home, personal property, auto, insurance, investments, and savings. You would be considered a better credit risk if you have accumulated assets than if you have nothing.

3. Capacity -- which is your earning power. This would include not only your present and future income, but also your present commitments which might limit your income use.

A record is kept by a credit bureau of your character, your capital and your capacity. The information they record will include how you spend money, pay your bills, the kind of neighborhood you live in, length of residence, type and length of employment, your savings and investments, what others think of you, any suits against you and police records. This information will follow you throughout your life. When you apply for credit and even for employment, your records may be consulted. The information is gathered through banks, credit managers, employers, newspapers, police records, personal references, and neighbors.

Read the following questions which might be asked of a person applying for credit. For each question decide which of the three C's the information is being gathered for, and write the word after the questions:

ACTIVITY #1
Study Guide

1. Do you own your own home? ______________________
2. How long have you lived there? __________________
3. How long did you live in your previous residence? ________________
4. Is your wife employed? ____________________
5. Do you have a savings account? __________________
6. How many jobs have you had in the past 7 years? _______________
7. How much education do you have? ____________________
8. Have you ever been refused credit? __________________
9. Do you own stocks, bonds, or other property? ______________
10. What is the largest amount of money you have owed? ______________
11. How much money do you owe? ____________________
12. How are your 3 C's? ________________

Give complete examples of all three.

Character: _________________________________

Capital: __________________________________

Capacity: _________________________________

ACTIVITY #2
Study Guide

The following is a list of spending habits. Underline those habits which would help you build a good credit record:

- pay promptly
- plan spending
- low sales resistance
- resist high pressure selling
- plan for unexpected expenses
- over-spend
- impulse buying
- lack of planning
- over confidence
- live within budget plan

What are three basic responsibilities when financing a car?

1. __________________________
2. __________________________
3. __________________________

SOURCES OF CREDIT FOR AUTO LOANS

You know the car you want to buy. You have decided you will buy it on credit.

--now what?--

Do you know where to finance it? Maybe you can learn something from the experience Sue and Joe had.

Sue and Joe needed a new car and were about to start shopping for one when an unplanned vacation opportunity came up. They decided they could not trust the old car for the journey and quickly found a car they wanted and purchased it through the dealer on credit. After the trade-in and down payment they arranged financing on a $2,000 balance for 2 years. They set out on their vacation in a new car. It wasn't until they had settled back to their normal routine after the trip, that they began to realize what they had done. They had signed a contract which would not allow them to pay off the contract ahead of time without forfeiting the finance charge. The cost of borrowing money cost them $684. After a bit of checking, they found that at their bank they could have borrowed the same amount for the same time for $480. They then found that through their credit union they could have received the same credit for only $127. Sue and Joe learned a valuable lesson the hard way.

SPECIAL CONSIDERATION OF CAR BUYING

The fender crunch. Next to housing, one of the most expensive items on any family budget is transportation, and for most people this means a car. A car -- that big, beautiful hunk of transportation--has it own special way of slicing the average family's budget to shreds. Believe it or not, a typical car (standard size, one year old) costs its owner $1,695 during a single year of use. This discouraging figure is based upon the following statistics of the U.S. Department of Transportation:

$ 589	for depreciation
300	for gasoline
260	for insurance
200	for maintenance and repairs
199	for parking, garaging, and tolls
147	for automotive taxes
$1,695	TOTAL

These amounts represent averages. Naturally individual cars have different expenses, but usually where one figure goes down (like depreciation on an older car) another one goes up (like maintenance and repairs on the same car). Your family, therefore, can expect to pay somewhere around $1,700 a year on transportation unless you set out to beat these averages.

Beating the averages. There are any number of ways that you might take to beat the high costs of owning and operating your own car, but here are some of the most effective.

1. Buy right to begin with: A car can be both a necessity (something to get you from here to there) and a luxury (something you can be proud of owning), but don't make the mistake of letting luxury become a necessity! A car which looks good and runs good should be your goal. Anything beyond this is luxury:

   a. air conditioning
   b. V-8 engine
   c. sports models that cost extra
   d. other shiny baubles and bangles

   No one likes to feel deprived and a shiny new super sports car can go a long way towards brightening anyone's life, but there are other considerations. Man does not live by car alone--or does he? This is one question that only you can answer. It's your money; it's your family--how much deprivation can they afford? How much car do you really need?

2. Trade right too. The expense of owning and operating a car is about as nagging as any expense could possible be--it never quits! It always seems that as soon as you have one car paid off, you already need another one to replace it. This is due to the fact that it is the nature of all machinery to wear down and fall apart. Your problem, however, is to figure out when "falling apart expenses" are just about to overcome "replacement car expenses," and then to get rid of the old and latch onto the new. This is what you do when you trade right.

   When to trade is what you must determine, and it is not easy. Of course, all cars are individuals, and there is no way to determine exactly when you should trade, but there is one general rule that can usually be applied:

   > Trade when repair and maintenance will cost you more than depreciation.

   Notice it says will cost. In otherwords, you should actually make your move before your car is obviously in bad shape, and no one wants to buy it. The following information may help you to determine the best time to unload.

   Depreciation rates -- all cars depreciate in value but newer cars depreciate at a higher rate than older cars. For instance, during its first year a car will depreciate by 25-30% of its original price, and during its seventh year by only 2% of its original price. This means the older the car the less is its depreciation cost, but this is only half the story.

READ: Pamphlet -- "The Costs of Running a Car" -- pages 4-5.

Maintenance and repair costs -- all machinery (including cars) wear down and fall apart, but the older the machinery the more it falls apart. The cost of maintenance and repair for the average car goes from about $50 in the first year to about $300 during the fifth year. After the fifth year or 60,000 miles this cost usually begins to get our of hand. This is about the best time to sell. At this point in time, you will have had the car long enough to have averaged out the depreciation cost to an acceptable 15% per year over the five year period, and yet you will not have had it so long that the maintenance and repair costs would have gotten out of hand.

READ: Pamphlet -- "The Cost of Running a Car" -- pages 10-11.

3. The clunker scheme. The best car saving of all is to buy a $300 clunker, keep it in good repair yourself, and run it till it rolls over and dies. Remember, the two biggest car costs which you can effectively control are "depreciation costs" and "repair and maintenance costs." Therefore, if you buy a car that cannot depreciate very much and if you do all of your own repair and maintenance, then you will keep these costs to a minimum, and this will be the best deal of all.

ACTIVITY #3
Study Guide

1. Why do you think it is so important for the average family to have a plan for economizing on their transportation costs?

____

____

2. Explain how the clunker scheme works to save you money. ______________

____

____

3. In financing your car, what is probably the best way and the worst way of doing it? Why? ______________________

____

____

____

SHOP FOR YOUR CREDIT AS CAREFULLY AS YOU SHOP FOR YOUR CAR.

UNWISE CREDIT PURCHASES CAN GREATLY INCREASE THE COST OF YOUR CAR.

There are two ways to finance the balance on your car:

1. Most car buyers finance their car through the dealer with the dealer handling the financial arrangements and paperwork, while the actual financing is turned over to a finance company, bank, or a dealership finance company. This method saves time and shopping around and is the most convenient way to finance. Some dealers turn the financing over to a bank at the same interest the bank charges, while others raise the interest charge or they turn it over to a finance company, possibly one operated by the car manufacturer, which may have higher finance charges. Other dealers sell the installment contract to a credit company for cash and may make as much on the financing as on the sale of the car. On a three year, $3,000 car loan, you may pay $100-$200 more through the dealer than through the bank.

2. Obtaining a direct loan yourself from a bank, credit union, or finance company using the new car, your savings account or other collateral as security. This method requires more time and bother but may result in lower cost credit.

THE FOUR BASIC SOURCES OF CREDIT FOR CAR PURCHASING ARE:

BANKS:

Interest rate depends upon the type of loan but it is generally lower than car dealers. Banks are reliable sources of credit, and they will not accept bad-risk borrowers.

FINANCE COMPANIES:

Interest rates are higher than banks and will grant loans to poorer risks. "The fact of high interest charges is usually hidden by stating such charges as a monthly rather than yearly percentage. Example: 1½% per month equals 18% per year.

CREDIT UNIONS:

Credit unions are reliable and low cost sources of credit which are well worth looking in to. You must be a member of the credit union in order to deal with them, however.

CAR DEALERS:

Usually better than a finance company but not as good as a bank. The interest charges are usually 1-2% higher than a bank and less reliable customers are accepted. You should be careful of the higher charges then 1-2% and also of any clauses in your contract which may hurt you later on. Read everything care-rully!

ACTIVITY #4
Study Guide

1. Laurie wants to buy a small sports car she has had her eye on. She has been earing around $150 a month from her babysitting jobs, Saturday housecleaning jobs, and from jewelry she has been selling. She is looking forward to getting a job as a waitress in the summer, but hasn't a job so far. She has saved $200 from the sale of her horse, and has been missing having a horse lately. She figures that it would be unwise to purchase a car which is very old, since she is unable to do her own repair work, so she will need to spend enough money to get a reliable car. She knows that she periodically likes to go on clothes-shopping sprees in the city which is 50 miles away.

   Give 6 reasons for Laurie not to purchase a car on credit?

   a. ______________________________

   b. ______________________________

   c. ______________________________

   d. ______________________________

   e. ______________________________

   f. ______________________________

2. If you have purchased a car in the past, which way did you finance it? Why?

   ____

   ____

   ____

3. If you have never purchased a car, which way do you feel you would finance it? Why? ______________________________

   ____

   ____

Some people do not obtain credit with an overall budget in mind and find themselves overextended to the point of not being able to meet living expenses and obligations also. Should you find yourself in this situation, there is a course you can follow to resolve your difficulty.

IN A JAM?

Take the following steps:

1. Sit down and do what should have been done at the beginning -- develop a money management plan -- a budget. Figure the amount of your total credit limit which should never be exceeded.

2. Analyze your spending to see what changes can be made at this point. Set up a strict budget to temporarily reduce living expenses as much as possible.

   It may be possible and reasonable to increase income through overtime, part-time, wife taking a job, or jobs of older children.

   It may be sensible to return some merchandise to eliminate part of the debt. If it looks like it may be necessary to do this, be sure to take the initiative yourself.

3. Decide how much is left over to pay debts, and how much you can use of each debt.

4. Contact your creditors. Call the credit manager, tell him about your circumstances, and what your plans are. When you show a sincere interest in getting back on your feet, most responsible banks, finance companies, and stores will help you to work out a reduced schedule of payments. Your contract may be rewritten with smaller payments, or some creditors may agree to hold up payments for a reasonable period (you will still be paying the interest rate so don't put off payments longer than absolutely necessary).

   Never refuse to answer letters, phone calls, or the door to avoid your creditors. This only aggravates the problem.

5. Make every effort to meet the revised plan and stay within the budget you have set. Do not take any new credit obligations until you are paid up, and then stay within your plan.

   If finances have become so seriously entangled that the above action does not solve the problem. . . .

. .THE NEXT STEP. .

is to consult your local Consumer Credit Counseling Service if there is one in your area. Sponsored by the National Foundation for Consumer Credit, these non-profit organizations are supported by local merchants, service organizations, and financial institutions. They provide counseling without charge to families and individuals with debt problems and help over-extended debtors to plan and discipline to avoid bankruptcy.

. .THEIR HELP IS TWO-FOLD. .

1. To help the family work out a spending plan and organize finances to apply a reasonable amount to their debts . . . . .and

2. To help arrange repayment schedules with the creditors. In many cases, the counseling service collects an established amount from the debtor and distributes the money to the various creditors.

Other help might be received from:

Welfare Organizations
Legal Aid Societies

To find out, consult your Better Bureau or Chamber of Commerce.

Do not confuse this type of credit counseling with private concerns or debt adjustors who make a business of acting as middle men between a debtor and his creditors. The adjustor may solve your problem but the charge may be as high as 35% or more of the total debt.

. .NEXT TIME. .
PLAN AHEAD!

If you budget $35 a month for a car in 4 years you would have $1,650 cash and in 5 years $2,100, plus your trade-in. If you provide regularly in your budget for a car--even after this one is paid for, you will have the cash to pay for the next one without the costs of financing. You have the added advantage of the interest you will be accumulating instead of spending.

Mel has made a habit of spending more than he makes by use of credit. He has recently purchased a new expensive car and is now getting behind in his payments. He is having family troubles because of the money worries that are building up.

What would you advise him to do?

ACTIVITY #5
Study Guide

1. Give an advantage and a disadvantage for three sources of credit.

ADVANTAGE ______ DISADVANTAGE ______

ADVANTAGE ______ DISADVANTAGE ______

ADVANTAGE ______ DISADVANTAGE ______

2. What are the three basic systems for figuring interest rate and which one must be shown in the contract?

______

______

______

3. Robbie plans to buy a car with a balance of $500 after his trade-in. He has found the following offers:

SOURCE "X"	$0 down and $25.00 a month for 24 months.
SOURCE "Y"	$50 down and $44.25 a month for 12 months.
SOURCE "Z"	$75 down and $39.66 a month for 12 months.
SOURCE "K"	$60 down and $42.16 a month for 12 months.
SOURCE "J"	$49 down and $32.00 a month for 18 months.
SOURCE "G"	$20 down and $35.00 a month for 18 months.

Which terms result in the lowest finance charge?

4. The following information was given on a credit contract:

buyer's address
amount of cash price of goods
cash down payment
finance charge in dollars
monthly percentage rate
charge for late payment
when the payments are due
who holds the title

List four items of information which have not been given and which are required by law.

A.
B.
C.
D.

5. What are three basic responsibilities when financing a car?

A.
B.
C.

6. Rudie and Laurel have taken on more credit obligations than they can handle and are having financial difficulties. What steps should you advise them to take?

7. You are about to sign your contract to purchase your car. Give five precautions to take when signing an auto loan contract.

8. List three responsibilities you will have once you have obtained car financing:

____

____

____

9. If Laurie from Question #1, had purchased her car with credit and had difficulty with her earning power and several unexpected expenses, she would have had difficulty in meeting her obligations. Give the steps for her to follow if this had happened.

____

____

____

____

____

____

ACTIVITY #6
Study Guide

1. Consider that you are going to buy a new used car, what do you need to consider and do before buying a car.

____

____

____

____

2. Go to a used car dealer and look at their contract, does it have all of the points mentioned in the Consumer Protection Act? __________ Compare them -- point out any differences.

____

____

____

____

3. You are about to sign your contract to purchase your car. Give five precautions to take when signing an auto loan contract.

____

____

____

____

____

4. List three responsibilities you will have once you have obtained car financing.

____

____

____

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		
3.		
4.		
5.		
6.		

Student: ____________________ File Code: 61.01.04.01

Date: ____________________ Date Published: 7-12-79

Family Education Program

LAP TEST: DOES AN AUTO LOAN FIT YOUR BUDGET?

1. How should you use the prices found in a consumer's guide?

   a. pay up to $500 more if you think the car is worth it.
   b. never pay anything more than the quoted price.
   c. do not stray very far from the quoted price in figuring your payment.
   d. never pay anything but the quoted price.

2. What is the advantage of dealing with a private used car owner rather than with a professional used car dealer?

   a. private used car owners are usually not as intelligent as used car dealers.
   b. you can usually outlast a private owner more easily than a used car dealer.
   c. you can usually check up on the private owner, his car and his driving habits.
   d. private owners will usually "spiff up" the car for you before you take it.

3. Which of the following offers the best proof of car ownership?

   a. Motor Vehicle Registration.
   b. Simple possession.
   c. Title of Ownership.
   d. Bill of Sale.

4. If you have a Bill of Sale and a motor vehicle registration for a particular car, then we can be absolutely sure that --

   a. you bought the car and had it registered.
   b. you are the real owner of the car.
   c. you were the real owner of the car at one time.
   d. no one else can prove that they own this car.

5. Whenever you buy a used car, you should be sure that you:

   a. get the title as soon after payment as your contract reads.
   b. receive the title as you pay.
   c. keep more than one copy of the Bill of Sale.
   d. know where the former owner lives.

6. Before a car title can be transferred to your name, it must be:

   a. signed by a witness or Notary Public.
   b. signed with the name of the former title holder.
   c. signed by the former title holder.
   d. signed by the one who is selling the car.

7. What is the name of the contract clause which allows the final payment to be larger than the other monthly payments?

   a. booster clause.
   b. balloon clause.
   c. contractual clause.
   d. relegated clause.

8. What is the name of the contract clause which allows the financer or seller to declare all of the unpaid balance due immediately as soon as the buyer fails to make his payments as agreed?

   a. time clause.
   b. repossession clause.
   c. strict payment clause.
   d. acceleration clause.

9. What is the name of the contract clause which allows the seller or financer to take back your car if you fail to meet your obligations as stated in the contract?

   a. acceleration clause.
   b. resignation clause.
   c. repossession clause.
   d. recind clause.

10. Where is the most likely place for you to find the true amount of the Shipping Charges on a new car that you would like to order?

    a. window sticker of a similar car.
    b. Consumer's Guide.
    c. U.S. Post Office.
    d. car advertisement.

LAP TEST ANSWER KEY: DOES AN AUTO LOAN FIT YOUR BUDGET?

1. C
2. C
3. C
4. A
5. B
6. C
7. B
8. D
9. C
10. A

Student: ____________________ File Code: 61.01.04.02

Date: ____________________ Date Published: 7-12-79

Family Education Program

LAP TEST: CAR CONTRACTS

1. What is an item that you do not need on your contract when buying a car?

   a. the amount of the down payment.
   b. the amount of monthly payments.
   c. how much the trade in will be.
   d. a balloon payment.

2. You should select the contact:

   a. with the lowest finance charge and interest rates.
   b. by comparing finance charges.
   c. taking the one offered by the car dealer.
   d. with the lowest annual percentage rate.

3. What is the definition of Truth-In-Lending?

   a. the relative cost of credit in percentage terms.
   b. a federal law that requires creditors to show their interest charges in dollars.
   c. it is the total of all costs.
   d. annual percentage rate.

4. Before you sign, what is one point not to do:

   a. check the stated price.
   b. make sure there are no blank spaces.
   c. sign anythings.
   d. make sure you understand all provisions.

5. The Consumer Protection Act does not require what information on all contracts:

   a. description of the purchase.
   b. finance charge for first month only.
   c. price of the product.
   d. name and address of the buyer and seller.

6. In order to run an old car economically you must:

   a. keep your car in a garage.
   b. pay less than $600 originally.
   c. do your own maintenance and repairs.
   d. never drive over 20 miles per hour.

7. What is the percentage of the total cost of the car that is used as a down payment most often:

    a. 1/4 to 1/3
    b. 1/2 to 1/3
    c. 1/2
    d. 1/3 to 2/3

8. When getting credit for a car--which of the following would be the wisest to choose:

    a. small payments with a large payment at the end.
    b. five years to pay.
    c. the shortest time with the largest monthly payments you can afford.
    d. payments at 21% or higher a payment.

9. Where do you go to find what the interest charges are in your state for the different lenders?

    a. lawyer's office.
    b. Better Business Bureau
    c. courthouse
    d. Attorney General's Office.

10. Which is not one of the three basic systems for figuring interest rates?

    a. Add On
    b. Monthly Rate
    c. Discount
    d. Annual Percentage Rate

LAP TEST ANSWER KEY: CAR CONTRACTS

1. D
2. A
3. B
4. C
5. B
6. C
7. A
8. C
9. D
10. B

Student: ______________________ File Code: 61.01.04.03

Date: ______________________ Date Published: 7-13-79

Family Education Program

LAP TEST: SPECIAL CONSIDERATIONS OF CAR BUYING

1. What should be your primary goal in selecting an economical car?

   a. a car which looks good and runs good.
   b. a car with enough power to go anywhere.
   c. a car which can brighten your image.
   d. a car with all the necessary luxuries.

2. Which of the following is most likely to charge the lowest interest rates?

   a. a credit union.
   b. a bank.
   c. a finance company.
   d. a dealer.

3. Which of the following represents the least desirable way to finance a car?

   a. a car dealer.
   b. a bank.
   c. a credit union.
   d. a finance company.

4. A car will depreciate the most during its:

   a. first year.
   b. third year.
   c. fourth year.
   d. second year.

5. The best example of a car luxury which will cost you more over the lifetime of your car is:

   a. radial tires.
   b. air conditioning.
   c. disc brakes.
   d. any engine above 250 cc.

6. When you sign an auto loan contract what is one point that you do not agree to:

   a. make all payments promptly.
   b. to damage or misuse the car.
   c. not to sell the car.
   d. keep full collision and comprehensive insurance in force on the car until it is paid for.

7. Your ability to get credit is based on:

    a. character, capacity, and capital.
    b. character, comprehension, and capability.
    c. capital, capacity, and collateral.
    d. comprehension, capital and character.

8. Which source of credit fits this definition -- Interest rate depends upon the type of loan but it is generally lower than car dealers.

    a. finance companies.
    b. credit union.
    c. banks.
    d. private loans.

9. What is an item that you should not do if you find yourself owing more money than you have?

    a. develop a money management plan.
    b. analyze your spending to see what changes can be made at this point.
    c. ignore creditors.
    d. decide how much is left over to pay debts, and how much you can use of each debt.

10. The National Foundation for Consumer Credit is:

    a. to help the family work out a spending plan.
    b. a non-profit organization which are supported by local merchants.
    c. another way to send money.
    d. none of the above.

LAP TEST ANSWER KEY: SPECIAL CONSIDERATIONS OF CAR BUYING

1. A
2. A
3. A
4. A
5. B
6. B
7. A
8. C
9. C
10. B

Student: ______________________ File Code: 61.01.05.00

Date: ______________________ Date Published: ______________________

Family Education Program

UNIT TEST: CAR INSURANCE

61.01.05.01

1. When your car insurance coverage is written as 100/300/25, the 25 means that you are insured up to:

   a. $2,500 worth of collision.
   b. $25,000 worth of property damage liability.
   c. $25,000 worth of uninsured motorist.
   d. $25,000 worth of medical payments.

2. The cost difference between buying 10/20/5 and 100/300/25 liability car insurance is:

   a. unable to be determined.
   b. much too expensive.
   c. just the same.
   d. a real bargain.

3. The primary reason that the same car insurance coverage would cost you more in New York City than in Glasgow, Montana, is because:

   a. mental capacity of average driver.
   b. cost of overhead.
   c. quality of average car.
   d. territorial loss records.

4. What is a deductible clause:

   a. it states how much you are willing to pay for damages.
   b. amount you pay before the insurance company will pay.
   c. the insurance company will pay full amount.
   d. only the large bills.

5. Which type of insurance protects you against those damages caused to you, your family or guests in your car by another motorist who is not covered by a liability policy of his own:

   a. collision.
   b. uninsured motorist.
   c. comprehensive physical damage.
   d. liability.

61.01.05.02

6. Collision insurance for older cars:

   a. covers the entire car.
   b. covers just the value of the car.
   c. not a good idea.
   d. value of car, minus the deductible amount.

7. Which is not a way premiums for insurance can be usually paid:

   a. monthly.
   b. quarterly.
   c. every other month.
   d. annually.

8. Which insurance protects you against damages to your own car:

   a. liability insurance.
   b. collision insurance.
   c. insured insurance.
   d. medical payment insurance.

9. No-fault insurance was developed to:

   a. stop long, costly court cases.
   b. help only a few accident victims get their bills paid.
   c. pay for injuries the driver did in a suicide attempt.
   d. no special reason.

10. Which insurance protects you or others who drive your car?

   a. liability insurance.
   b. collision insurance.
   c. uninsured insurance.
   d. bodily injury insurance.

UNIT TEST ANSWER KEY: CAR INSURANCE

61.01.05.01

1. B
2. D
3. D
4. B
5. B

61.01.05.02

6. D
7. C
8. B
9. A
10. A

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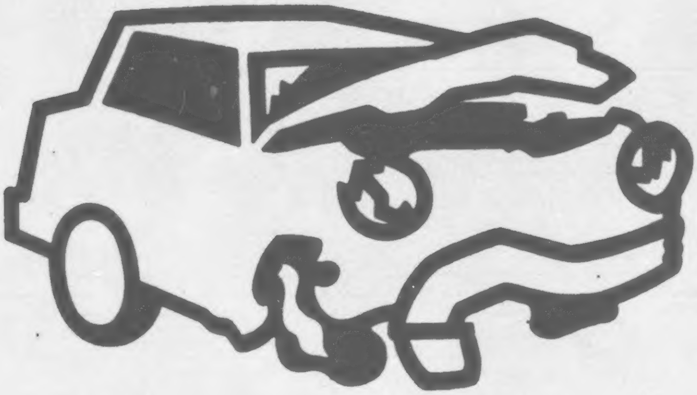

CAR INSURANCE

Family Training Center, Inc.

Family Education Program

File Code: 61.01.05.00

Date Published: 7-20-79

Learning Experience Guide

UNIT: CAR INSURANCE

RATIONALE:

A knowledge of the kinds and uses of insurance aids the individual to protect his finances.

PREREQUISITE:

None.

OBJECTIVES:

To identify the types, significant features and discriminating qualities involved in buying car insurance.

RESOURCES:

1. Instructor-prepared worksheets and text.
2. Tape -- Transportation.
3. Pamphlet -- Car Insurance.
4. Pamphlet -- A Family Guide to Property and Liability Insurance.

INSTRUCTIONS:

1. Read LAPs and do activities as required.
2. Listen to tape as indicated.
3. Read pamphlets as indicated.
4. Complete LAP tests with 80% accuracy.
5. If you have any problems with the mateial, reread sections which present the information.
6. Ask instructor for help if problem continues.
7. Completion of Unit Test with 80% accuracy.

INTRODUCTION:

In this LAP you will find out how you rate as an insurance risk, become familiar with the words in the policies, learn about various kinds of coverage, how to analyze insurance companies in order to select the best one for your needs, and the meaning of no-fault insurance.

Principal Author(s): Christine Olson

OVERVIEW:

In recent years car accidents have killed over 18,000 young people per year. Twenty-five thousand drivers involved in fatal accidents each year. Because of this situation, auto insurance is very costly for young people so you will have to shop carefully for the best buy with the coverage. All states have laws which require you to carry auto insurance if you drive.

PERFORMANCE:

If you run into something that you're not sure about, go back and reread the information. Then, if you are still not sure, ask for help. Do not try to proceed through the LAP if you don't understand all you have covered.

EVALUATION:

Being able to complete the booklet including all the projects with little or no help.

COMPETENCY:

You will be able to state examples of the following:

1. How do you rate as an insurance risk?
2. Vocabulary.
3. Insurance coverage.
4. Insurance companies.
5. No-fault insurance.

ASSIGNMENT:

Read the cover page of the LAP, then proceed to the readings of the text doing the exercises enclosed.

Family Education Program

File Code: 61.01.05.01

Date Published: 7-20-79

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: The Auto Policy

OBJECTIVE:

The student will determine what type of coverage is needed for their car based on the parts of a car policy.

EVALUATION PROCEDURE:

Completion of LAP activities.according to checklist.
Completion of LAP test with 80% accuracy.

RESOURCES:

Attached -- "The Auto Policy"
Pamphlet -- Car Insurance, Modern Consumer Ed., Grolier Ed. Corp., New York, N.Y.
Pamphlet -- A Family Guide to Property and Liability Insurance -- Chapter 4, Insurance Information Institute, New York, N.Y.

PROCEDURE:

1. Read LAP, "The Auto Policy".
2. Obtain and read Chapter 4 in "A Family Guide to Property and Liability Insurance".
3. Obtain and read complete pamphlet -- car insurance.
4. Complete all LAP activities.
5. Have the instructor validate the LAP according to the checklist.
6. Complete LAP Test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

BUYING CAR INSURANCE

Automobiles are a lethal weapon, in one year they injure and kill more Americans than have all of our wars put together. Over 4,000,000 persons are injured annually in the United States in motor vehicle accidents, over 50,000 are killed. Every 10 minutes there are at least 322 traffic accidents with 83 persons suffering an injury. Every 10 minutes one person is killed by a car. Economic losses have exceeded 13 billion dollars.

To take care of the economic losses suffered by persons involved in car accidents, the automobile insurance policy came into being. The first cars were insured under two policies: the terms liability policy, used to insure horses and wagons, and the old standard fire insurance policy for physical damage to the car.

The automobile policy today is a package policy that combines liability and physical damage. It protects the car owner against losses due to negligent acts while his car is in use; it protects his car against physical damage; it protects guests riding in his car if they become injured. Now in states having no-fault insurance, it pays for injuries regardless of who is at fault.

A must for all drivers. Buying car insurance is a must for all drivers because of the financial responsibility laws which apply in all fifty states. These laws were enacted in order to keep off the highways those drivers who cannot pay for the damages or the injuries which they cause. According to these laws, therefore, every driver must purchase bodily injury liability insurance and property damage liability insurance in at least the minimum amounts set by the state where the driver's car is garaged.

Larry had just recently gotten married and one of his projects was to get automobile insurance policy of his own. For up to now, he had been covered by his dad's policy.

He picked up the phone and dialed his dad's insurance agent. After a brief talk with the agent, during which she threw out words like liability, deductible and uninsured motorist, Larry hung up the phone confused but determined to find out more about automobile insurance before he made up his mind what to buy and from which company.

THIS IS WHAT HE FOUND. . . . .

The person buying an automobile insurance policy is called the "insured" and the money he pays for the policy is a "premium".

He buys the insurance in several parts. The part that protects the insured, if he has to pay for claims of other people, is called "liability" insurance. This is divided into two parts: One is "Bodily Injury":

> Liability Insurance. This type of insurance protects the driver, members of his immediate family and others who use the driver's car with his permission when the driver's car injures or kills pedestrians, passengers in other cars, or guests in his own car.
>
> It also protects the driver and members of his immediate family even while they are driving someone else's car, if they have the owner's permission.

Shorthand: Bodily Injury covers the driver and his family for the damages which they cause to other persons.

The other part of liability insurance is "Property Damage":

Liability Insurance. This type of insurance covers the driver, members of his immediate family and others who drive his car with his permission for the damages which they cause to other people's property while driving either the driver's own car or someone else's car with the owner's permission.

This type of insurance covers damages to other people's cars, lamp posts, buildings, and the like, but it does not cover damage to the driver's own car.

Shorthand: Property Damage covers the driver and others for the damages which they cause to other people's property.

Buying Liability Insurance. Without a doubt, the most important car insurance is liability. Liability insurance is something that you must have, and most likely something that you would want to have anyhow. It can protect you from the enormous costs of your legal defense and any damages which are charged against -- up to the limits set by your policy. Because these costs are extremely high and could easily lead to a lifetime of financial ruin, it is very wise for you to set the limits of your policy to the highest coverage which you can reasonably afford for this one kind of insurance. Surprisingly, the higher policy limits do not cost that much more than most state legal minimum limits. Here is a note and then some examples which show the comparative costs.

NOTE: Bodily Injury Liability Insurance is written as two numbers with a slash (10/20). The first number refers to the limit in thousands (10,000 dollars) payable for a single injured person and the second number refers to the limit in thousands (20,000 dollars) payable for all injured persons at an accident. In addition, when you see the coverage written with three numbers (10/20/5), the third number refers to the limit in thousands (5,000 dollars) payable for all property damages.

Some Comparisons:

In an area where you can buy:

10/20 Bodily Injury for $65 a year
-- you can buy --
100/300 Bodily Injury for $96 a year

In an area where you can buy:

/5 Property Damage for $45 a year
-- you can buy--
/25 Property Damage for $45 a year

> The main message at the bottom of page 3 is don't skimp on liability insurance. It is your most important car insurance, and buying a policy with fairly high limits is a real bargain.

Another part the insured can purchase is called "Uninsured Motorist":

> Uninsured Motorist Protection. This type of insurance protects you against those damages caused to you, your family or guests in your car by another motorist who is not covered by a liability policy of his own. This policy is similar to Medical Payments Insurance and if you already have this last one you will probably have enough protection except for those instances where the injuries caused were so damaging or negligently caused that the victim would have been able to sue for a large amount of money.

The insured may also want to protect himself and his property. He can buy "Collision" insurance:

> Collision Insurance. This type of insurance covers the damages caused to your car as a result of collision with another car or object. This is the best insurance to cut back on if you are trying to save money on car insurance. The most that you can lose by not carrying collision insurance is the replacement value of your car. If you can afford to risk this amount either in part or in whole, then you might want to cut back on or do away with this type of coverage.

NOTE: Most collision policies have a deductible (the amount you must pay for damages before your policy starts paying). By keeping your deductible high you can lower your premium considerably.

Most car financers (banks and other money lenders) will demand that you have collision insurance at least until you have paid off your loan on the car.

He can also buy "Comprehensive Physical Damage" insurance which pays for loss or damage to his car, due to: theft, fire, vandalism, flood, falling objects and any other causes listed in the policy. Comprehensive can also include towing and any small roadside repair like fixing a flat. It does not cover you against losses stemming from collision with another car.

Like collision, this type of insurance would be considered rather optional. If you wouldn't mind risking the losses involved, you could do without this type of insurance. Also, like collision, this type of insurance is sold with a deductible which can be adjusted to a higher figure in order to cut back premium costs.

Other types of car insurance. If the insured wants to protect himself and his passengers against medical bills in case he is responsible for the accident, he buys "Medical Payment" insurance.

> Medical Payments Insurance. This type of insurance covers the costs of medical expenses resulting from accidental injury to you, members of your immediate family, or guests occupying your car. It also covers you and members of your immediate family while in your own car, someone else's car, or if struck while walking. Payment is made up to the limits of your policy regardless of who is at fault.
>
> This is a good type of insurance. It covers any medical expenses which are car related and is considerably cheaper than comparable health insurance. However, it only does cover car related medical expenses, and with certain policies it is only payable after your health insurance benefits have been used up.

If the insured's policy is cancelled and he has trouble buying insurance, he can be given an "assigned risk" status. The insurance companies in his state are required to insure their share of the assigned risks. The premiums are very high.

Car Insurance Costs. Like all other insurance costs, car insurance costs are figured out in accordance with the statistics of probability. If something is more probable or more likely to happen, then the insurance company is taking a greater risk and consequently, they will charge you more in terms of premiums for taking that risk. Here are some things which are related to the risks which insurance companies take and which in turn affect the rates which you pay (premiums) for your car insurance.

1. Driver Classification. You are given a class by the insurance company according to your age, sex, marital status, driving record and the use you make of your car. A young, unmarried male, for instance, is considered a very high risk.

2. Territorial Loss Record. Your insurance rates are also determined by the record of past losses that the insurance company has paid out in your part of your state. New York City, obviously, is a high risk territory.

3. Year, Make and Model. The year, make and model of your car can also push your premiums up. A sports car is obviously a higher risk than a Volkswagon.

4. Deductible Clause. The clause which states how much you are willing to pay for damages before the insurance company must pay affects your premium too. The more you are willing to pay ($100 or $200 deductible) the less the insurance company will have to pay. Then, too, smaller damages are likely to occur more frequently than large damages. Thus a higher deductible frees the insurance company from the bother and expense of taking care of every little dent and scratch.

Final note. The costs in terms of premiums for the very same insurance coverage, for the very same person, and in the very same territory can vary greatly from company to company. To be sure that you get the best deal, first, decide upon what coverage you want, and then compare the cost of that coverage as charged by a number of different insurance companies. This should help you to get the best deal available.

ACTIVITY #1
Study Guide

Match the following words with their meanings:

VOCABULARY:

a. liability insurance
b. bodily injury
c. assigned risk
d. property damage
e. 15/30/5
f. uninsured motorist
g. collision insurance
h. premium
i. deductible
j. comprehensive
k. insured
l. medical payment insurance

1. _____ The insurance company will pay up to $15,000 for injuries to any one person, up to $30,000 for all the injuries involved in any one accident and up to $5,000 for damages to other people's property.

2. _____ Protects you from claims resulting from damage caused by your car to the car or property of others.

3. _____ You, if you own insurance.

4. _____ The amount of money you will have to pay before the insurance company will pay the rest.

5. _____ Protects you or those riding in your car for accidents caused by uninsured or hit-and-run cars. It covers bodily injury but not car-related medical expenses.

6. _____ Protects you or others who drive your car with your consent against injury or damage claims of another person resulting from an accident caused by your car.

7. _____ Protects you against damage to your own car as a result of a collision with another car, or a tree, or rolling over, or an elephant.

8. _____ Protects you against claims resulting from injury, sickness or a death of a pedestrian, the driver or passengers of another car, if you hit them.

9. _____ Pays for loss or damage to your car for fire, theft, vandalism, windstorm, hail, flood, smoke, falling objects and other causes as listed in your policy.

(CONTINUED ON PAGE 7)

VOCABULARY (continued):

10. _____ Covers the insured and any passengers should they be involved in an accident that results in the need for medical care.

11. _____ Someone who has had their insurance cancelled and is assigned to a general pool in which an insurance comapny must take them.

12. _____ The amount paid for an insurance policy.

ACTIVITY #2
Study Guide

1. If you are limited financially, which forms of car insurance should you get?

____

____

2. Name the two types of car liability insurance and state what each of them covers you for. ______________________ ______________________

____

____

____

3. Why is liability insurance the most important type of car insurance for you to own?

____

____

____

4. What does 100/300/25 stand for? ______________________________

____

____

5.. What is collision insurance?

6. What is a deductible clause and how can you use it to save money on your car insurance policy?

CHECKLIST

Activities	Date Comp.	Instr. Init.
1.		
2.		

File Code: 61.01.05.02

Date Published: 7-18-79

Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Insurance Coverage and Insurance Companies

OBJECTIVE:

The student will apply the principles of insurance coverage and how they rate.

EVALUATION PROCEDURE:

Completion of LAP activities according to checklist.
Completion of LAP test with 80% accuracy.

RESOURCES:

Attached: "Insurance Coverage".
Pamphlet: A Family Guide to Property and Liability Insurance, Insurance Info. Institute, New York, New York.

PROCEDURE:

1. Read LAP section "Insurance Coverage".
2. Obtain and read chart on page 18 in, "A Family Guide to Property and Liability Insurance".
3. Read LAP section, "Insurance Companies".
4. Complete all LAP activities.
5. Have instructor validate materials from checklist.
6. Complete LAP test with 80% accuracy.

Principal Author(s): Christine Olson

INSURANCE COVERAGE

Not everyone has to have the same automobile insurance coverage. It depends on the age and condition of your car, how much it is still worth, whether or not you are financing and how much risk you are willing to take. It also depends on the financial responsibility laws of your state.

All states set minimum amounts of liability coverage which drivers must carry. These laws, called financial responsibility laws, are intended to keep drivers who cannot pay for injuries and damage they cause off the streets.

If you are involved in an accident and you do not have the minimum liability insurance your state requires, you may have to put up thousands of dollars in cash or other assets to prove you are financially able to pay claims against you. If by chance, you can't put up sufficient assets, you will probably have your driver's license revoked until you can provide proof of financial responsibility.

If you are financing your car the people who loan you the money have an investment in the car you are driving. They will require you to maintain full collision and comprehensive coverage on your car to protect their investment. They generally do not require full collision coverage if the car is worth less than $500.00.

Find your state's minimum liability insurance requirement in the table following on Page 3.

AUTOMOBILE FINANCIAL RESPONSIBILITY LAWS IN THE UNITED STATES AND CANADA

UNITED STATES:

State	*Liability Limits
Alabama	10/20/5
Alaska	15/30/5
Arizona	15/30/10
Arkansas	10/20/5
California	15/30/5
Colorado	15/30/5
Connecticut	20/40/5
Delaware	10/20/5
District of Columbia	10/20/5
Florida	25/25/5
Georgia	10/20/5
Hawaii	10/20/5
Idaho	10/20/5
Illinois	10/20/5
Indiana	15/30/10
Iowa	10/20/5
Kansas	15/30/5
Kentucky	10/20/5
Louisiana	5/20/1
Maine	20/40/10
Maryland	15/30/5
Massachusetts	5/10/5
Michigan	20/40/10
Minnesota	10/20/5
Mississippi	10/20/5
Missouri	10/20/2
Montana	25/50/5
Nebraska	10/20/5
Nevada	15/30/5
New Hampshire	20/40/5
New Jersey	15/30/5
New Mexico	10/20/5
New York	10/20/5
North Carolina	10/20/5
North Dakota	10/20/5
Ohio	12.5/25/7.5
Oklahoma	5/10/5
Oregon	10/20/5
Pennsylvania	10/20/5
Rhode Island	10/20/5
South Carolina	10/20/5
South Dakota	15/30/10
Tennessee	10/20/5
Texas	10/20/5
Utah	10/20/5
Vermont	10/20/5
Virginia	20/40/5
Washington	15/30/5
West Virginia	10/20/5
Wisconsin	15/30/5
Wyoming	10/20/5

CANADA:

Alberta	$35,000 Inclusive**
British Columbia	$50,000 Inclusive**
Manitoba	$50,000 Inclusive**
New Brunswick	$35,000 Inclusive**
Newfoundland	$35,000 Inclusive**
Nova Scotia	$35,000 Inclusive**
Ontario	$50,000 Inclusive**
Prince Edward Island	$35,000 Inclusive**
Quebec	$35,000 Inclusive**
Saskatchewan	$35,000 Inclusive**
Northwest Territories	$35,000 Inclusive**
Yukon	$50,000 Inclusive**

---

*The first two figures refer to bodily injury liability limits and the third figure to property damage liability. For example, 10/20/5 means coverage up to $20,000 for all persons injured in an accident, subject to a limit of $10,000 for one individual; and $5,000 coverage for property damage.

**The "inclusive" limit means there is $35,000 of liability insurance available to settle either bodily injury or property damage claims--or both--up to that amount.

VEHICLE INSURANCE REQUIRED FOR MONTANA:

Motor vehicles owners must have liability insurance in order to register their vehicles starting July 1, 1979, according to Margaret Wollin, treasurer.

Wollin said each applicant for registration must sign a statement certifying the vehicle is insured in accordance with the laws of Montana and show the treasurer proof of an insurance policy.

Proof of insurance may be the policy itself, an application of insurance or binder, an insurance identification card, a certificate or memorandum of insurance or a premium renew receipt.

Wollin emphasized that persons cannot renew a registration without the certification and proof of insurance. Applicants should come prepared to show proof of insurance to avoid delays or being sent back to obtain such evidence, she said.

Persons purchasing additional vehicles are advised to see their insurance agents before attempting to register the vehicle, she advised.

Montana law now requires continuous motor vehicle liability insurance of not less than $25,000 for one person per accident, $50,000 for two or more per accident, and $5,000 for property damage. Failure to carry insurance is a misdeameanor.

Motorcycles and off-the-road vehicles are not covered by this law.

On collision coverage for older cars, the insurance company pays the worth of the car minus the deductible amount, not the amount of repairs minus the deductible amount. It isn't always a good idea to get collision insurance on older cars.

ACTIVITY #1
Study Guide

Read the following case situations which illustrate the insurance coverage needed--use chart for rates:

1. Tom Caudle who lives in Dallas, just purchased a new charger, which he is paying for on credit. What automobile insurance coverage should he have and why?

____

____

____

2. Pat Halfaday has a 12 year old Chevy that is all paid for. She has a tape-deck and many tapes in her car. What types of insurance does she need and why?

____

____

____

3. What type of car do you drive or would like to drive?
   What kinds of automobile insurance do you need and why?

INSURANCE COMPANIES:

Choosing an insurance company is very important. Some may cancel or increase your premiums if you get into a minor accident or have a couple of minor traffic tickets. Some charge more for the same coverage, but the lowest cost may not always be the best buy.

In addition to its prices, a company's policies regarding the following are very important to you:

1. Does the company pay its claims quickly and promptly?
2. Are the amounts the company pays for its claims fair?
3. Will the company cancel you or raise the premiums if you have an accident or get a couple of traffic tickets?

Answer to these questions are frequently hard to get. You should conduct a little survey of your friends and relatives to find out their experiences and recommendations before you contact the agent. Look in the library for consumer information on auto insurance. Ask the agent, but remember he is selling his product.

Now, Let's See How To Analyze Insurance Companies:

John Way is 24. He has a 1972 Volkswagon Bug with oversize rear tires. He has never had any traffic tickets or accidents.

John wants to buy some insurance, so he is shopping around for the best insurance policy for him. Here is the information he found: (The premiums listed are for six months only).

	Country Park Company	Mid Town Mutual	World Insurance Company
A. Liability:			
Bodily Injury 15/30	$ 88	$ 86	$ 85
Property Damage $5,000	49	49	48
Medical Payments $1,000	10	10	9
Uninsured Payment 15/30	3	3	4
Subtotal -- Liability	$150	$148	$146
B. Personal Property Damage:			
Collision ($100 deductible)	$ 49	$ 48	$ 42
Comprehensive	16	17	13
Subtotal -- Personal Property Damage	$ 65	$ 65	$ 55
TOTAL	$215	$213	$210

World Insurance Company sells the insurance John needs for the lowest price and that is very important. However, John did some further checking with his friends and in the "Consumer Reports" magazine this is what he found:

COUNTRY PARK COMPANY:
1. Much better than average handling claims.
2. Much lower than average incidence of: policy cancellations, refusals to renew, and big step-ups of premiums.

MID TOWN MUTUAL:
1. Better than average handling of claims.
2. Higher than average incidence of refusals to renew policies.

WORLD INSURANCE COMPANY:
1. Much poorer than average handling of claims.
2. Higher than average incidence or refusals or renew policies.

ACTIVITY #2
Study Guide

1. Which company, in your opinion is the company that you would choose if you were John and why? ______________________________

____

____

The premiums for insurance can usually be paid for four different ways:

1. Monthly
2. Quarterly (every three months)
3. Semi-Annually (every six months)
4. Annually (once a year)

Do the following problem:

John could buy his insurance for $40 monthly; 110 quarterly; $215 semi-annually or $420 annually. ______________________

ACTIVITY #3
Study Guide

1. If John bought his insurance by paying annually instead of semi-annually, he could save (circle the answer): $20 $10

2. If John bought his insurance quarterly instead of monthly, he will save (circle the answer): $40 $30

3. John would like to buy his insurance by paying annually because he could save $60. However, this year John does not have $420 cash and he has to choose a plan which is under $150. Which would be his best buy? ________________

ACTIVITY #4
Study Guide

1. What are three things you should check about an insurance company before you buy insurance through them? ______________________________

____

2. Match the following terms that apply to automobile insurance with their meanings:

   a. liability insurance
   b. collision insurance
   c. insured
   d. medical payment insurance

   1) _____ You, if you own an insurance policy.

   2) _____ Protects you or others who drive your car with your consent against injury or damage claims of another person resulting from an accident caused by your car.

   3) _____ Covers the insured and any passengers should they be involved in an accident that results in the need of medical care.

   4) _____ Protects you against damages to your own car.

ACTIVITY #5
Study Guide

Pick two items out of the three projects and answer on a separate sheet of paper.

1. Interview 2 people -- find out what types of insurance they have and why.

2. Interview 2 people wo have been involved in accidents. What types of insurance did they have? What was their company? Were the claims paid quickly? Did their insurance get cancelled? Premiums raised?

3. Look at your car insurance policy--what are you covered for and how much?

INSURANCE COMPANIES

How do you rate as an insurance risk? ______________________

Why does it cost more to get car insurance if you are under 25? What criteria do insurance companies use to rate you?

Read on, you may be surprised!

Statistics show that in 1977 drivers under the age of 25 totaled 21.6 percent of the driving population of the United States, but were involved as drivers in 36.5 percent of all accidents and 35.5 percent of all fatal accidents. Therefore, the younger drivers are a greater risk and insurance companies raise their rates accordingly.

There are several other reasons why your insurance risk can be rated "poor" --

1. Having a car with lots of horsepower.
2. Having special equipment, like a tachometer, tape-deck or oversize tiers.
3. Owning your own car instead of using the family car.
4. Living away from home.
5. Having a car that is lowered or altered in some way.
6. Getting traffic tickets -- your record starts to build with your first tickets and stays with you for life.

But you can lower insurance rates if you:

1. Live at home.
2. Drive the family car.
3. Have a clean driving record.
4. Don't put special equipment on the car.
5. Are not the principal driver of the car.
6. Buy your insurance where your parents have their policy.
7. Take a driver training course in school.

ACTIVITY #6
Study Guide

1. How do you rate as an insurance risk? ______________________________

____

____

____

The form below is one of the typical questionaire used by auto insurance companies to find out what they need to know about you in order to rate you when you are still in school.

TO BE COMPLETED BY THE YOUNG DRIVER IN OWN HANDWRITING

ame of insured ______

1. Name of young driver ______

   Date of birth ______

2. Do you reside with your parents? ______

   If not, where? ______

3. What school do you or will you attend?

   ______

   Where? ______

Circle highest grade completed:	Grade Average: (Use A, B, C, D, F)
7 8 9 Jr. High	______
10 11 12 Sr. High	______
1 2 3 4 College	______

4. Have you ever been expelled, suspended, or placed on probation by any school?

   ______

   If yes, explain ______

5. Name of employer, if any ______

   Describe occupational duties ______

   ______

6. How many days per week will you drive any car to school or work? ______

7. Which car do you use for pleasure? ______

   ______

8. Describe limitations, if any, imposed on your driving by your parents ______

   ______

9. Are you aware that loaning your car to others who are not members of your family may jeopardize your insurance?

   ______

10. Have you ever had auto insurance declined or canceled? ______

11. Driver's license number ______

12. Has your driver's license ever been suspended or revoked? ______

13. Have you ever been cited or received a warning citation in violation of any traffic law (other than parking)? ______

    Give dates and details ______

    ______

14. Have you ever been involved in an accident (as a driver)? ______

    Give dates and details ______

    ______

15. How long have you been driving automobiles?

    ______

16. Have you taken a driver training course in high school? ______

17. Have you ever been arrested or detained for any reason other than a traffic violation? ______

18. Do you own an automobile? ______

    If yes, which car? ______

    If no, have you contributed toware the purchase of any car in the household?

    ______ Which car? ______

9. Is the automobile you operate equipped with any of the following?

__ Special or modified carburetor

__ Headers or special mufflers

__ 4 speed manual shift

__ Altered body height

__ Custom or special paint job

__ Tachometer

__ Mag or chrome wheels

__ Stereo tape player

Describe any other alterations or special equipment ____________

____

__ None of the above apply

20. Rear wheel tire size of the car you operate ____________

21. Engine size of the car you operate:

cu in. ______ horsepower ________

22. Is a car furnished by an employer for either parent's use? ________

Date ____________________

ignature of young driver __________

____

To be completed by the agent:

1. Make and year of all cars in household, including date purchased and any car furnished by an employer.

____

____

____

2. How many drivers in the household? ______

3. What other insurance does the SAFECO Insurance Group carry presently for the applicant and his immediate family? (Give policy numbers)

____

4. Describe driving habits ____________

____

5. Describe drink habits ____________

____

6. Have you seen and interviewed the young driver personally? ____________

How long have you known him? ________

____

7. Have you personally inspected the car?___

____

8. Agent's recommendation ____________

____

Date ____________________

Signature of Agent ______________

APPLICATION FOR STATE FARM AUTOMOBILE INSURANCE

h house-hold		veh state farm		qualifying policy no.	current class	new class	replaces pol. no

Name Last name	First name	Middle name or initial	
Mailing Address Number and Street	City	State	Zip Code

sidence Number and Street	City	State	Zip Code	County	Telephone

xact Location house has no reet no.	Former Address if less than 6 mo. at present add.

Occupation	Employer	Years with this employer	Address of employment

During the past 5 years, has the plicant had auto insurance cancelled yes no within the past year yes no	During the past 5 years, has the applicant a. had drivers licensed revoked. yes no	b. been the driver in an accident c. been convicted for traffic violations.

ost recent ability insurer	Company	Policy No.	Month-year From	Month-Year To

st all drivers	Driver's license no.	Birthdate	Occupation	Sex	Relationship to driver
2.					

riv-er .	Check (✓) viol.	acc.	Nature of violations or details of accidents	Chargeable No	Yes-amt. paid

year	make and model	Body type	Cyls.	Vehicle identification no.

ate purchased	cost price new	camper cost new	existing damage No Yes-describe

enholder	Mailing address	Zip Code

rr. no.	adv. mileage to and from work	Annual mileage	Rating Group	Class

ull name of persons to be insured	S-Principal sum amount prem.	T-weekly indem. amount prem.	Is each person in good health
			Yes No
			Is the sum of weekly indemnity and all his personal accident insurance less than 2/3 of his average weekly earnings during the past 12 months?
			Yes No

ate and time of application	Agent's code stamp

INDER

Effective Date

gent's Signature

Applicant's Signature

No-Fault Insurance:

Jane was hit at an intersection by another car. She got paid immediately for her injuries and the repairs on her car. Joe was hit at an intersection two months ago by another car. He is still waiting to collect his money for his injuries and the repairs for his car.

The difference -- Jane lives in a state that has a "no-fault" insurance and Joe lives in a state where the person who caused the damage has to pay for the accident with his liability insurance. No-fault insurance was developed to stop long, costly court cases and to help accident victims get their bills paid soon after the accident.

No-fault insurance is a first party insurance which you take out to protect yourself and your property in case someone else does damage to you. In a state that would have pure no-fault insurance, everyone would be covered in case of an accident, for injuries to himself, his passenger(s), or damage to his car and other property, regardless of negligence.

No-fault insurance is not new. It has long been the basis for fire, theft and collision insurance carried by many motorists.

Under a conventional auto-liability policy, someone who is injured in an accident is entitled to collect from the driver who caused the accident -- but only if he can prove the driver was at fault. Sometimes these cases drag on for many years.

Some states have already developed no-fault insurance plans. The federal government is also working on a no-fault insurance bill that would give the states two years to implement a plan or have minimum no-fault systems go into effect automatically.

The group most against the application of no-fault insurance is the American Trial Lawyers Association. They won't have nearly the amount of people suing one another over automobile accidents. There are two other reasons for not implementing no-fault insurance: People injured in an accident should be paid by those who cause the accident; and paying for injuries and property damage does not pay for "pain and suffering" caused by the accident.

Those for no-fault insurance have two arguments. One, to get a claim settled in the fastest, most inexpensive way, The other, premiums on liability policies will be lowered because people won't be asking as much for their injuries and property damage.

Write one of the following persons to find the status of the no-fault insurance laws in your state:

Your insurance agent
Your state insurance council
Your state insurance commissioner
Your state legislator

ACTIVITY #7
Study Guide

1. What is no-fault insurance? ____________________

2. What is the status of no-fault insurance in your state? ____________________

3. Are you in favor or against no-fault insurance? Why? ____________________

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		
3.		
4.		
5.		
6.		
7.		

Student: ____________________ File Code: 61.01.05.01

Date: ____________________ Date Published: 7-18-79

Family Education Program

LAP TEST: THE AUTO POLICY

1. What is the most important type of car insurance that you should buy:

   a. medical payments.
   b. collision.
   c. liability.
   d. uninsured motorist.

2. What kind of insurance covers damages to your car when you are in an accident which you caused:

   a. medical payment.
   b. property damage liability.
   c. collision.
   d. uninsured motorist.

3. If you have an older car and are trying to cut your car insurance costs, which type of insurance should you cut back on?

   a. property damage liability.
   b. bodily injury liability.
   c. collision.
   d. medical payments.

4. Buying car insurance is a must for all drivers in the fifty states because of:

   a. the financial responsibility laws.
   b. the high cost of no-fault insurance.
   c. the federal penal codes.
   d. the requirements of funding highways.

5. The type of car insurance which helps you to protect your car against damages resulting from such causes as storms, vandalism, fire, theft, and the like is:

   a. comprehensive physical damage.
   b. collision.
   c. uninsured motorist.
   d. property damage liability.

6. Your driver classification is usually determined by your age, sex, driving record, your make of the car, and:

   a. family name.
   b. health.
   c. address.
   d. marital status.

7. If you are driving and hit a lamp post, which insurance would you be covered by:

   a. bodily injury liability insurance.
   b. collision.
   c. property damage liability insurance.
   d. uninsured motorist protection.

8. When your car insurance coverage is written as 100/300/25 the 100 means that you are insured for:

   a. bodily injury liability.
   b. property damage.
   c. collision.
   d. uninsured motorist.

9. Which insurance protects an individual even when driving someone else's car:

   a. damage liability.
   b. collision.
   c. bodily injury liability.
   d. none of the above.

10. Car insurance costs are not based on:

   a. driver classification.
   b. territorial loss record.
   c. year, make and model.
   d. last year of driving record.

LAP TEST ANSWER KEY: THE AUTO POLICY

1. C
2. C
3. C
4. A
5. A
6. D
7. C
8. A
9. C
10. D

Student: ____________________ File Code: 61.01.05.02

Date: ____________________ Date Published: 7-18-79

Family Education Program

LAP TEST: INSURANCE COVERAGE AND INSURANCE COMPANIES

1. Insurance coverage on your car is based on just:

   a. your driving record.
   b. your car.
   c. where you live.
   d. all of the above.

2. When looking for a car policy on insurance, you should:

   a. survey friends.
   b. read a policy.
   c. ask questions to friends and the agent.
   d. ask about premiums.

3. Which is not an item that you should check on before you buy insurance?

   a. Does the company pay its claims quickly and promptly?
   b. Are the amounts the company pays for its claims fair?
   c. Does the company also handle policies?
   d. Will the company cancel you or raise the premiums if you have an accident or get a couple of traffic tickets?

4. Young drivers under 30 are charged high insurance rates due to:

   a. large number in that age.
   b. percent of all accidents involved in.
   c. first years in driving.
   d. type of cars that are driven.

5. What is one factor that has no affect on your insurance risk?

   a. having a car with lots of horsepower.
   b. having a car that is lowered or altered in some way.
   c. having special equipment like a tachometer, tape-deck or oversized tires.
   d. living at home.

6. How can you lower your insurance rates?

   a. take a driver training course in school.
   b. are not the principal driver of the car.
   c. don't put special equipment on the car.
   d. all of the above.

Family Training Center, Inc.

7. What is no-fault insurance?

   a. a long and lengthy type of insurance.
   b. a first party insurance.
   c. everyone would be covered in case of an accident.
   d. only covers injuries to the driver of a car.

8. Which group is not against the application of no-fault insurance:

   a. American Trial Lawyers Association.
   b. Insurance salesmen.
   c. the drivers
   d. Federal government.

9. Why is it that everyone does not have the same automobile insurance coverage?

   a. money.
   b. age, condition of your car, amount of car.
   c. amount your car is worth.
   d. all the states are the same.

10. Who is one of the people you can contact for information on no-fault insurance laws in your state:

   a. your friend.
   b. your state insurance commissioner.
   c. Better Business Bureau.
   d. attorney general.

LAP TEST ANSWER KEY: INSURANCE COVERAGE AND INSURANCE COMPANIES

1. D
2. C
3. C
4. B
5. D
6. D
7. C
8. A
9. B
10. B

Student: ______________________ File Code: 61.01.06.00

Date: ______________________ Date Published: 7-24-79

Family Education Program

UNIT TEST: THE MARKETPLACE

61.01.06.01

1. One of the disadvantages of the credit system is that it allows people:

   a. to take advantage of sales.
   b. without the use of credit, it is impossible to establish a credit rating.
   c. a monthly debt level so high that missing one week's work leads to financial problems.
   d. to buy an item with today's dollars.

2. Regarding credit decisions, which of the following would be the best example of a "related" expense?

   a. cross-country skis to get to work.
   b. snow skis to go skiing.
   c. life preservers to go with a boat.
   d. swimming trunks to go swimming.

3. The Federal Wage Garnishment Law allows what percentage of money to be taken out of your paycheck?

   a. 10%
   b. 25%
   c. 15%
   d. 20%

4. When you go to see your credit file which is not true?

   a. you are able to take someone along with you.
   b. there may be a small charge to see your file.
   c. able to write a correction statement.
   d. only able to see certain parts of your file.

5. Which should not be done if you are overextended in credit?

   a. develop a money management plan.
   b. analyze your spending and make changes.
   c. contact your creditors.
   d. continue spending as you are at present.

61.01.06.02

6. When you receive merchandise through the mail, which you did not order, you are obligated to:

   a. notify the post office.
   b. do nothing
   c. pay for the merchandise.
   d. send the merchandise back.

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61.01.06.02 (continued)

7. What does "bait and switch" mean?

   a. the salesman helps you pick out an item.
   b. the salesman allows you to charge something.
   c. the salesman tries to sell you something more expensive than advertised.
   d. the salesman tries to sell you a demonstrator model.

8. Wholesale or Discount Buyer's Clubs are usually fraudulent in that they trick the customer into:

   a. believing that his purchases will be insured.
   b. paying a worthless membership fee.
   c. selling memberships to his friends.
   d. paying for items they never receive.

9. Small Claims Courts are:

   a. reserved for auto repair problems only.
   b. quick and inexpensive when trying to solve a consumer complaint.
   c. not very helpful for consumer complaints.
   d. costly and time consuming.

10. The Better Business Bureau can:

    a. ban a business from selling their products.
    b. tell you the interest rate on a consumer loan.
    c. recover money from fraudulent salesmen.
    d. give you the reputation of a company.

UNIT TEST ANSWER KEY: THE MARKETPLACE

61.01.06.01

1. C
2. C
3. B
4. D
5. D

61.01.06.02

6. B
7. C
8. B
9. B
10. D

Family
Education
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THE MARKETPLACE

Family Training Center, Inc.

Family Education Program

File Code: 61.01.06 00

Date Published: 7-16-79

Learning Experience Guide

UNIT: THE MARKETPLACE

RATIONALE:

Understanding the credit system will enable the individual to use credit to his advantage and avoid its drawbacks.

PREREQUISITES:

None.

OBJECTIVE:

To identify the principles and procedures of the credit system, their applications and wise use.

RESOURCES:

1. Instructor-prepared worksheets and test.
2. Pamphlet -- Don't Be Gypped
3. Pamphlet -- Three Days To Cancel a Contract
4. Cassette -- Making Credit Work for You

INSTRUCTIONS:

1. Read LAPs and do activities as required.
2. Read pamphlets as indicated.
3. Listen to tape as indicated.
4. Complete LAP tests with 80% accuracy.
5. If you have any problems with the material, reread sections which present the information.
6. Ask instructor for help if problem continues.
7. Completion of Unit Test with 80% accuracy.

INTRODUCTION:

Most of us want and need things we can't afford to pay cash for and it is tempting to buy now and pay later. Unfortunately, one out of every four people under 25 who try to use credit get into trouble because they didn't understand how to make the decision whether or not to use credit. The first part of the unit will help you learn how to make the right decision about using credit. It may save your a lot of grief.

Principal Author(s): Christine Olson

Family Training Center, Inc.

The second part of the unit covers fraud. Nobody wants to be gypped, whether he's buying a steak, a car, or a new tube for his television. But not many people know how to avoid the many traps that lie in wait for the unwary buyer. This section will give you some of the basic facts you need to keep from being taken when you go out to buy.

OVERVIEW:

This unit explains responsibilities of the credit user, and tells of your credit record which is kept on every action the individual makes. It also shows the consequences of different credit spending habits, and tells you the course of action to take and agencies to consult when difficulties arise.

Being a good consumer will definitely reduce your chances of being taken. A few of the many frauds in the marketplace are discussed and understanding how they work will enable you to be less likely to get trapped in one of the many different types of frauds.

PERFORMANCE:

If you run into something that you're not sure about, go back and reread the information. Then if you are still not sure, ask for help. Do not try to proceed through the LAP if you don't understand all you have covered.

EVALUATION:

1. Completion of LAP activities.
2. Completion of LAP tests with 80% accuracy.
3. Completion of Unit Test with 80% accuracy.

COMPETENCY:

You will be able to state examples of the following:

1. Credit reporting
2. Fraud and the consumer

ASSIGNMENT:

Read the cover page of the LAP, then proceed to the readings of the text doing the exercises enclosed.

Family Education Program

File Code: 61.01.06.01

Date Published: 7-16-79

Learning Activity Package

Student:

Date:

PERFORMANCE ACTIVITY: Credit Reporting

OBJECTIVE:

Identify the principles, problems and advantageous use of credit.

EVALUATION PROCEDURE:

Completion of LAP activities according to checklist.
Completion of LAP test with 80% accuracy.

RESOURCES:

Attached: "Credit Reporting"
Filmstrip: "Making Credit Work For You" -- Audio Magnetics Corpotation, Garden, CA.

Optional Filmstrip: Be Credit Wise -- Money Management Institute, Chicago, IL.

PROCEDURE:

1. Read LAP -- "Credit Reporting"
2. Obtain and watch filmstrip -- "Making Credit Work For You".
3. Complete all LAP activities.
4. Have instructor validate materials from checklist.
5. Complete LAP test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

CREDIT BUREAUS:

Are profit making companies which are usually in partnership with collection agencies or are in fact collection agencies themselves.

Under the law, they can collect data on your personal life such as whether you are divorced, separated, have been arrested or convicted of a crime or failed to pay a traffic ticket.

You have the right to see your files. All you have to do is establish proper identification and in some instances pay a small fee of around $4-$5 and up.

If the credit bureau wants you to fill out a form, be careful. There are some bureaus that use their right to ask for identification to get more information about you for their records. Answer only those questions which will establish your identity, like your name, social security number, address and perhaps a previous address. If a credit bureau refuses you the right to see your file after you provide "proper identification" and pay the fee, complain to the State Attorney General's Office.

You usually do not have to make an appointment. But you can often expect to wait quite a while, so come early if possible.

You are permitted to bring someone else with you. This is a good idea, your friend can act as witness if the bureau gives you any trouble in requiring you to fill out unnecessary forms, or makes you rush through the file not giving you sufficient time to go over it carefully and ask questions.

The credit bureau must allow you to see all the information they have in your file at the time of your request, the sources of the information they have on you, the names of the people who have received information from your file within the last six months, and within the last two years if the information was given to an employer or potential employer of yours.

The bureau must also explain to you any information in code which appears in the file.

What if you disagree with something in your file?

You have the right to dispute any item of information in your file. Bureaus very often have inaccurate or misleading material in their files. If you see something that isn't true or is inaccurate, complain! Under the law, the bureau is required to reinvestigate the matter. If you are right or if the information can no longer be verified, the bureau must remove that information. If the bureau verifies the information and you still disagree with it, you are entitled to write a statement up to 100 words on the disagreement the bureau people must include it in your file.

Writing your statement --

The law requires that the credit bureau people assist you with the writing of your statement, if you ask them for their help. However, they may use prepackaged statements or not help you say exactly what you want.

If you would rather write it yourself, ask the friend who has come with you to help. You can also wait until you get home to write it and bring it back another day.

EXAMPLE OF A 100 WORD EXPLANATION:

Your records showing that I was not making payment on time to Rip-Off Furniture in Fresno are misleading. I stopped making payments to them only after the new sofa I purchased for $400 fell apart three months after I bought it. I decided that I would not pay any longer for such junk. After a few months went by, they contacted me and we settled the remainder of the account by my agreeing to give them only $50 more and to pay for the repair work myself. The account is closed and I owe them nothing.

Suzanne Porter

ACTIVITY #1
Study Guide

1. Write an example of a situation.

____

____

____

____

____

____

After a change is made in your file --

If the bureau revises certain information in your file, or if you write a statement for correction in your file, the bureau must comply in the following manner: if you filed a statement, they must read your statement or give a summary of it to anyone to whom they give the report. The bureau must also notify any person who has received a report on you within the last 6 months (or two years if it involves employment) of the statement you have made, should you request the bureau to notify them. (There may be an additional charge for this.)

* * * *

A woman, whether married or not, cannot be denied credit in her own name where a man having the same amount of earnings and other property would receive credit Nor can a woman be offered credit on terms less favorable than a man in the same circumstances.

* * * *

Women who receive spousal and child support payments under a written agreement or credit order may include these amounts in their "earnings".

* * * *

Credit bureaus must now file new credit information separately under the names of each person or spouse rather than under a joint account. A married or divorced woman can use her birth given name and not have to refer to her husband or former husband's name to gain access to her credit file.

If you are, or were, married, and a credit bureau has included in a joint credit file established before 1977, you can request that the information be (as done with information since January 1, 1977) filed separately under both names.

If you are thinking of ever obtaining credit, it is important that you request this change. This is because accounts of married people, even those opened in the names of both spouses, are often reported in only the husband's name. This has been generally true regardless of who has been paying the bills or whose income was used to obtain the account. Thus, many married women do not have a credit history in their own names, though their husbands do.

The Credit System:

If you are among those who can control their present purchases at a level that can be comfortably met by their future earnings, then for you the credit system will be a great convenience and a very useful tool towards greater satisfaction and financial success. Here are some of credits benefits and advantages.

1. Credit can enable you to take care of unexpected financial emergencies.

   Examples: emergency medical treatment or unexpected travel

2. Credit can enable you to take advantage of sales, thereby saving you money on various purchases.

3. Credit can enable you to use an item while you are paying for it rather than making you do without, while you are saving up for it.

4. Credit can enable you to buy an item, such as a house, which is so expensive that it would be nearly impossible for you to save for very easily.

5. Credit can enable you to buy an item with today's dollars, thereby saving you money as time goes on. For instance, if you buy a diamond for $1,000 today with credit, by the time you have it paid off, it may be worth $1,500.

These are some of the benefits and advantages of properly managed credit. Unfortunately, however, not everyone manages their credit properly. For them, credit is not a means to greater financial satisfaction and success but a roadway to financial discouragement and finally, ruin. What are the trouble signs of credit mismanagement?

1. monthly credit payments which when added to other fixed expenses leave your family with no surplus to cover emergencies or miscalculations in your present budget.

2. a monthly debt level so high that missing one week's work would put your family in serious financial difficulty.

3. the feeling that you and your family are staggering under an extremely heavy load of debts.

4. the knowledge that you could not afford one more debt even if you had to have something unexpectedly.

5. the final stage of credit mismanagement is marked by the fact that your rate of buying (money going out for all purposes) is greater than your rate of earning (money coming in from all sources). At this stage you are financially bankrupt.

Getting into a fix like this. How does one get into a fix like this? Well, it's really not all that difficult. Mismanaging credit usually starts out rather innocently, but it soon builds up its destructive force. The following list provides an example of the typical progression of credit decisions which can and often does lead to financial disaster.

1. Boy, that nice! Her comes the first innocent decision to buy something which you would like to have, can't really afford, and definitely don't need. Let's suppose it's a 16 ft. fiberglass boat with a 25 hpr engine.

2. Related expenses. Well, as long as you've charged the boat and motor, you might as well charge some fishing equipment, safety equipment, water skis and boat accessories to go along with it. Notice how one purchase often directs a whole new bunch of purchases.

3. Better quality additions. You know, that 25 hpr engine really hasn't been doing the job when we go skiing. Let's get a 40 hpr engine and really take off.

4. Must haves. We can't really afford it right now, but the children have really got to have some new clothes before they go back to school. Let's stretch our budget just a bit and get them what they need.

5. Emergencies. Karen, I just hit someone on the way home from work and the front end of our car is demolished. We've just got to have it fixed right away. Where are we going to get the money? We'll have to borrow again.

6. Run-ins. It seems like we bought that boat years ago and yet we're still paying on it. Now we need a new car, and we just can't afford a monthly payment that big until we've finished paying on the boat. I wish we could wait, but I don't see how.

Getting out of a fix like this. If you're already in a credit fix, then you know what we have been talking about. Here, however, are some steps which you might take to get yourself out of trouble. These steps are listed according to their severity, and depending upon how bad your financial situation is, you will want to take either the less or more severe of these steps.

1. Stop all unnecessary spending (especially credit spending) until your financial situation has improved.

2. Cut back on all necessary spending where possible and avoid the use of any kind of credit where possible.

3. Work on establishing lower monthly payments with selected creditors. Creditors would much rather receive a lower payment than no payment at all.

   NOTE: Keep in touch with your creditors at all times, even when you are not able to make your payments. If you cannot make your full payment or even a partial payment, call or write to your creditor, explain your situation, and tell the creditor "how much" and "when" you will be able to pay him. The one thing that creditors hate the worst and fear the most is for you to break off communications with them. This, in turn, is the one thing which can hurt you and your credit rating the most.

4. Chapter XIII. Chapter XIII of the Federal Bankruptcy Law allows a person in debt the opportunity to pool all of his debts into one large debt and then to pay off this one large debt in manageable monthly payments. This is a form of bankruptcy and the procedure is carried out under the supervision of a judge.

5. Voluntary bankruptcy. This is the final and most drastic of all the steps, and it should be taken only when all else fails. Through the procedures of voluntary bankruptcy, the individual makes a plea before a judge that he is now and will be for the foreseeable future unable to pay his debts. The judge then sees to it that all of the debtor's possessions, except clothing, tools and household items are sold, and that the money so obtained is distributed among the debtor's creditors. Once this has been done the remaining debts are declared uncollectable and the debtor is given a clean slate.

   NOTE: Declaring bankruptcy means that almost all of your possessions will be sold, and it also means that your credit record will carry the fact of your bankruptcy for as long as the next 14 years.

ACTIVITY #2
Study Guide

1. List three advantages of credit which are important to you.

   A. ______________________________

   B. ______________________________

   C. ______________________________

2. List three trouble signs of credit mismanagement.

   A. ______________________________

   B. ______________________________

   C. ______________________________

3. What is meant by related expenses? ______

4. Explain the meaning of a "run-in" credit decision. ______

5. If you find yourself in a position where you are unable to make one of your monthly payments, what should you do? ______

6. Explain the difference between Chapter XIII and voluntary bankruptcy: ______

Credit and the law. These are some of the laws which protect people from credit situations which may treat them unfairly.

1. Truth-in-Lending Law

   - - this law protects people from practices which attempt to mislead credit users into thinking that the costs of particular credit purchases are lower than they actually are.

   - - this law requires that both the annual percentage rate and the finance charge (written in dollars and cents) be displayed clearly on the form and statements used by the creditor.

2. Fair Credit Reporting Act

- - this law protects people from being harmed by the inclusion of false or misleading information in their credit files.

- - this law requires that a person be allowed to have his credit file investigated, and that any false or misleading statements be removed or corrected upon his request.

3. Federal Wage Garnishment Law

- - this law protects people from having the bulk of their salary taken by creditors in payment for bills which are past due.

- - this law forbids any individuals wages to be garnished (legally withheld from an employee and paid to a creditor) beyond 25% of his disposable weekly income.

ACTIVITY #3
Study Guide

How does the Truth-in-Lending Law affect you? List at least three ways:

1. ______________________________

2. ______________________________

3. ______________________________

Truth-in-Lending Law requires that the following information be included on all contracts.

1. Description of the purchase.
2. Price of the product.
3. Down payment or trade-in.
4. Balance to be paid.
5. Itemized list of charges other than the finance charge.
6. Total amount to be financed.
7. Total finance charge in dollars and in annual percentage rate (if finance charge is over $7.50).
8. Number of payments, and the amount and due date of each.
9. Charges to be made if late.
10. Description of security held by creditor.
11. Refund of interest if loan is prepaid.
12. Name and address of both buyer and seller.

EXAMPLE:

Retail Installment Contract and Security Agreement

Account Number 666666

Charles F. Searle, Inc., 3244 South 360, Creditville, Loanland 24680

by: Jeanne Wicks
Interviewer

Date: March 5, 1978

I hereby order the following merchandise:

Division	Description	Price
Fine Gems	Diamond Necklace	$350.00

Beginning April 1, I will pay $30.97 per month for 12 months until the amount financed and the finance charge is paid.

Cash Price	$350.00
Cash Down Payment	35.00
Amount Financed	$315.00
Finance Charge	56.70
Total of Payments	$371.70
Annual Percentage Rate	33.2%

Ownership remains with Searle, Inc., until paid in full. Until paid for, I agree that: I have risk of loss or damage; I will not sell, transfer possession of, remove or encumber the property without written permission, upon default on the terms of this agreement, you may repossess the property. You may also hold my youngest son for ransom. (Glad you're reading your contract!)

NOTICE TO BUYER: 1) Do not sign this contract before you read it, or if it contains blanks, 2) You are entitled to a copy of this contract. Keep it to protect your legal rights. 3) If you pay in full in advance, any unearned charge will be rebated at charge of $5.00.

SIGNATURE: ______________________________

ADDRESS: ______________________ STATE: ____________ ZIP: ________

CITY: ______________________

If you want the most credit for the least cost, know what you are signing.

Which items are missing or in error in the contract on page 9? ____________________

____

____

____

Before you sign. . . go through the following checklist.

1. Make sure that all statements are true and accurate.
2. Make sure that there are no blank spaces.
3. Make sure that you understand and agree with all provisions.
4. What happens if you are late in paying? If you miss payment? If you can't finish paying?
5. What happens if you move?
6. What happens if the merchandise is damaged?
7. Find out who you will owe if the contract is sold to someone else. Will the seller care about complaints?
8. Can you pay the loan in advance and will you get a refund of the service charge?
9. Is every provision which was discussed down in writing?
10. Is every copy of the contract identical?
11. Are there any short hidden sheets?
12. Will you get a copy as soon as you sign?

It is very important to never put your name to anything you do not fully understand or agree with.

The last type of credit decision, "the run-in", is so named, because it refers to those buying decisions which allow old credit payments to run into new credit payments. Last month, when you were thinking about buying that brand new car, did you figure the price as $60 per month, or did you figure it as $60 per month for three years, as many people neglect to do. When you neglect to realize that a debt is not just so much per month, but that it is so much per month for months to come, you are hiding a truth from yourself which could very well come back to harm you. Afterall, what will you be doing two years from now? What will you absolutely need? How much money will you have to have? Perhaps you will have another baby to take care of. Maybe you will need a house or another car. These are things which you should consider very carefully before you tie yourself into any long-term agreements. Buying that brand new car may look like a great deal right now, but unless you've planned ahead, it may turn out to be a very costly mistake indeed.

Avoiding a fix like this. What can you do to avoid the pitfalls and problems of credit mismanagement? Most importantly you should watch your spending very carefully, making sure that your earning power can keep pace with all of your spending. Here, however, are some more specific suggestions.

----

1. Sit down and do what should have been done at the beginning--develop a money management plan. Figure the amount of your total credit limit should never be exceeded.

2. Analyze your spending to see what changes can be made at this point. Set up a strict budget to temporarily reduce living expenses as much as possible.

It may be possible and reasonable to increase income through overtime, part-time work, wife taking a job, or jobs of older children.

It may be sensible to return some of the merchandise to eliminate part of the debt. If it looks like it may be necessary to do this, be sure to take the initiative yourself.

3. Buy with cash whenever possible. Cash is money that you have already earned, and it is, therefore, safer to spend.

4. Decide how much is left over to pay debts, and how much you can use for each debt.

5. Use credit only for things you really need. Credit is so much easier to spend than cash, because it does not feel like you are giving anything up. Therefore, using credit only for things you really need will help you to think twice before spending.

6. Do not allow yourself more monthly payments than you can comfortably afford. Every budget should have some surplus to cover emergencies and other unexpected expenses.

7. Contact your creditors. Call the credit manager, tell him about your circumstances, and what your plans are. When you show a sincere interest in getting back on your feet, most responsible banks, finance companies, and stores will help you to work out a reduced schedule of payments. Your contract may be rewritten with smaller payments, or some creditors may agree to hold up payments for a reasonable period (you will still be paying the interest rate so don't put off payments longer than absolutely necessary)!

   Never refuse to answer letters, phone calls, or the door to avoid your creditors. This only aggravates the problem.

8. Make every effort to meet the revised plan and stay within the budget you have set. Do not take any new credit obligations until you are paid up, and then stay within your plan.

9. Keep a careful watch on your long-term goals and needs. Remember the money that you spend now as credit must be subtracted from your future buying power. Therefore, keep your present spending in line not only with your monthly ability to make payments but also with your future ability to make new and needed purchases.

These steps should take care of most cases of credit. --IF-- finances have become so seriously entangled that your plan does not solve the problem--

THE NEXT STEP

is to consult your local Consumer Credit Counseling Service. Sponsored by the National Foundation for Consumer Credit, these non-profit organizations are supported by local merchants, service organizations, and financial institutions. They provide counseling without charge to families and individuals with debt problems and help overextended debtors to plan and discipline to avoid bankruptcy.

THEIR HELP IS TWO-FOLD:

1. To help the family work out a spending plan and organize his finances to apply a reasonable amount to his debts.

   --and--

2. To help arrange repayment schedules with the creditors. In many cases, the counseling service collects an established amount from the debtor and distributes the money to the various creditors.

   --other help might be received from-- Welfare Organizations
   Legal Aid Societies

   To find out, consult your Better Business Bureau or Chamber of Commerce.

   Do not confuse this type of credit counseling with private concerns or debt adjustors who make a business of acting as middle men between a debtor and his creditors. The adjustor may solve your problem but the charge may be as high as 35% or more of the total debt.

Shirley was badly overextended after she signed the contract at high interest to pay off her new swimming pool. When her daughter's medical bill was added to her other debts, Shirley couldn't begin to cover her payments. Her creditors would not go along with a plan to reduce her payments which Shirley worked out with the Consumer Credit Counseling Service.

In some very severe cases, even with every possible step having been taken, there seems no other way to handle financial problems than to declare bankruptcy.

BUT FIRST. . .

The Wage Earner Plan under the guidance of the Bankruptcy Court should be tried.

The debtor petitions the court to:

1. Obtain an extension of his debt obligation. This is a written agreement to allow more time to pay, but all debts are eventually paid in full;

   --or--

2. Arrange for the debtor to settle the accounts of his debts by paying only a percentage of the amount owed to each creditor.

   If this is not possible the final step is to declare yourself bankrupt.

Straight bankruptcy is the legal inability to repay debts, and should be considered only if there is absolutely no other way to handle financial problems. When a financial situation reaches this point, the debtor may voluntarily file a petition in federal court for bankruptcy or the creditors may file a petition. The court collects the debtor's assets, sells the property, and then distributes the proceeds among the creditors.

The Federal Bankruptcy Act gives creditors equal opportunity to share in debtor's property and gives honest debtors an opportunity to make a new start.

--BUT--

Bankruptcy is a disaster and has long lasting undesirable effects:

1. Loss of nearly all current assets and possessions.
2. Remains in credit reports for 14 years.
3. Credit refusal.
4. Creditors may continue to press for collection.
5. Employability is ruined in some jobs.
6. Family and marital conflicts plus social disapproval.
7. Debtor must pay the legal fees.
8. Debtor must still pay taxes and child support.

ACTIVITY #4
Study Guide

1. If you find yourself in a position where you are unable to make one of your monthly credit payments, what should you do?

2. What do you do when you are in a jam?

CHECKLIST

Activity	Date Compl.	Instr. Init.
1.		
2..		
3.		
4.		

File Code: 61.01.06.02
Date Published: 7-17-79

Family
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Learning Activity Package

Student: ______________
Date: ______________

PERFORMANCE ACTIVITY: Fraud and the Consumer

OBJECTIVE:

Identify some of the practices and protections of consumer fraud and deception.

EVALUATION PROCEDURE:

Completion of LAP activities according to checklist.
Completion of LAP test with 80% accuracy.

RESOURCES:

Attached: "Fraud and the Consumer"
Pamphlet: Don't Be Gypped -- Federal Trade Commission, Washington, D.C.
Pamphlet: Three Days to Cancel a Contract -- Cooperative Extension Service, Montana State University, Bozeman, Montana.
Cassette: Frauds -- Modern Consumer Ed., Grolier Ed. Corporation, New York, N.Y.

PROCEDURE:

1. Read LAP section, "Fraud and the Consumer".
2. Obtain and read pamphlet -- Don't Be Gypped.
3. Obtain and listen to cassette tape on "Frauds".
4. Complete LAP section activities.
5. Read LAP section, "Counter Tactics and Complaints".
6. Obtain and read pamphlet -- Three Days to Cancel a Contract.
7. Complete LAP section of activities.
8. Have instructor validate materials from checklist.
9. Completion of LAP test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

CONSUMER AWARENESS

Fraud and the consumer. The consumer is his own worst enemy. The chance to get something for nothing, the attraction of a bargain, lures even the most sophisticated into expensive traps set by dishonest sellers. While details vary from case to case, here are some ways the unsuspecting consumer may end up being separated from his hard-earned money.

1. Contest winners. Contest winners are often chosen from mailing lists. On a mailing list of 1,000 persons, for example, you may find one first-place winner and 999 second-place winners. Second prize is a discount of $150.00 on a $229.00 sewing machine. As a "winner", you have the opportunity to buy the sewing machine for only $79.95, when in truth, the sewing machine sells for $69.95 in local stores.

   Other contests award you a "free" sewing machine, if you purchase a cabinet, a ten-year service agreement, or something else of value. In this scheme, the "thing of value" costs as much or more than the sewing machine itself.

   Some puzzle contests and drawings are schemes. Regardless of the correctness of the answer or the order in which your card is drawn, you are a "winner".

2. Referral selling. A fast-talking door-to-door salesman promises you that your merchandise will be paid for if you give him names of your friends. He tells you that every time he sells one of your friends his product, you will receive the return of a certain amount of money, say $30.00. Supposing your purchase price is $150.00, the salesman will be quick to explain that your bill will be paid if only five of your friends buy the product. However, chances are that you will pay the full purchase price. Assume that the salesman calls on you first and contacts the five persons whose names you gave him the first week. He will contact six persons by the end of the first week. . . .you and five other persons. If each of your five friends gives him five names and he contacts them, at the end of the second week he has contacted 31 people. By the end of the ninth week, the salesman has talked to 500,000 MORE people than live in Montana. At the end of the twelfth week, he has contact 100 million MORE people than the population of the United States, and at the end of the fourteenth week, he has contacted over double the population of the world.

   Once they have sold the original customer, some companies don't bother to follow up the leads supplied, or to remit the commission if a referred friend does buy.

   For this plan to work, everyone contacted by the salesman would have to agree to buy his merchandise. On the other hand, if everyone buys the merchandise, no one will have to pay for it. This of course, is impossible. Somebody has to pay for it and that somebody is you. Even if you would not make or save you any money. In all likelihood, the salesman is well past the sixth or seventh week by the time he talks to you.

   NOTE: Referral sales tactics are illegal!

3. Wholesale or Discount Buyers' Clubs. Wholesale Buyers' Clubs guarantee that you will be able to purchase any merchandise sold at retail in stores everywhere, at discounts ranging from 14% to 75%. The salesman persuades you to sign for the $300.00 program by showing you examples of items that can be purchased at great savings. He does not explain that these examples are not truly representative of the program. Next, he offers you a bonus so you will sign a contract. Bonuses may be silverware, dishes, a stereo, or other merchandise which he represents as a value of $300.00, when actually it is worth about $100.00. When you try to purchase merchandise, you will find that the prices are not significantly lower than prices in local discount stores. Also, many items which you request, and which the salesman said you could purchase, are not available through the club. In otherwords, you have bought $300.00 worth of blue sky. . .at a discount price, of course. Coupon books issued by these clubs, or sold separately, are just as worthless.

4. Bait and Switch. The merchant "baits" you into the store with what appears to be a bargain and then "switches" you to a product which offers him a higher profit. These scheme is used in the sale of vacuum cleaners, sewing machines, and meat.

   Here's how it works:

   An advertisement promises US Choice beef at 99¢ per pound, when you enter the store, the salesman is "kind enough" to tell you that the advertised meat is mostly fat, and that it is probably tough. He then directs your attention to meat which sells for $1.60 per pound and is a higher quality than that advertised. You are "baited" into the store with the promise of meat at 99¢ per pound, and are "switched" to meat at $1.60 per pound. By degrading his own product, the salesman has increased his profit at your expense.

   Bait and switch is also used in some instances where sewing machines and vacuum cleaners are advertised as nationally known models. When the model is shown to you, the salesman degrades it by stating that it is an out-of-date or defective model, and immediately switches you to the more expensive, higher-profit model which generally is an off-brand. On occasion, when you respond to a "bait" advertisement, the item advertised is either used or the store "just sold the last one".

   This practice is even more serious when it comes to engine overhauls and transmission repair. What is advertised as a $10.00 special as bait may turn out to be a switch to a $300.00 repair job. If you refuse the job and refuse to pay for putting your car back together, you may have to take your car home in a partly dismantled condition, or you may have to allow the repairman to keep your car and sell it to pay the bill.

5. Magazine Subscriptions. Magazine subscription salesmen smother the country with offers of "free" magazines, as long as you pay the postage and handling. Generally, this is about 49¢ per week.

   If approached by phone, you are told that you have been selected because you just had a baby, just bought a new car, just moved into town, just changed your residence, just got a haircut, or something of equal importance. The salesman states that you only have to pay for the magazines for a short period of time, say 30 months. He says that most people make these payments in installments of $3.50 per month. The contract you sign obligates you to pay $105.00 over a period of two and a half years. This exceeds the normal subscription price of all the magazines to which you have subscribed by $15.00 or $20.00. Many times you do not receive all the magazines you ordered.

The door-to-door magazine salesman makes certain misrepresentations. He will tell you he's working his way through college; that he is getting points for a scholarship or a trip to Europe; that he is selling magazines for a charitable organization; or that he is selling them in connection with some youth program. With the door-to-door approach, the total purchase price well exceeds the subscription price also.

Magainze salesmen also use collection techniques that are likewise deceptive. You are threatened with a lawsuit, garnishment of your paycheck, and worse. However, contracts induced by fraud are unenforceable in the courts, and you need not continue payment on these subscriptions.

6. Unordered Merchandise. This merchandise is mailed by unscrupulous businessmen with two thoughts in mind. First, the resident will be under the impression (because of some correspondence in the package) that he actually ordered the merchandise, and will pay for it. Second, the businessman feels that by constant billing he can push the consumer into paying. Under the new Postal Reorganization Act, the mailing of unordered merchandise is illegal, except if it is clearly marked as a free sample or if it is from a charitable organization seeking contributions.

The recipient of unordered merchandise may use or discard it without obligation to pay for it, consider it a gift. It is illegal for the sender of this merchandise to request payment for it under the new postal law. Be suspicious if you receive unordered merchandise. Notify your local postmaster.

7. Earn-At-Home and Learn-At-Home Schemes. These are usually offered in the "help wanted" columns of the classified ads in newspapers and magazines, as well as by direct mail. Spectacular profits are promised for easy spare time work; or superior job opportunities are predicted for those who complete a home study course. Invariably, there is the requirement that the victim must make a substantial investment in equipment, "inventory", kits, instructions, books, etc.

The advertiser's only purpose is to sell something to the prospective home worker or student at a big profit, yet no mention is made of costs in the end. Few or none of the companies actually offer real employment as implied, or guarantee a market at a fixed price for a finished product.

Be suspicious of earn-at-home or learn-at-home schemes. Shut your eyes to golden promises; check with your Better Business Bureau.

NOTE: These are just a few of the kinds of frauds that you could fall victim to. Learn to recognize them and you will avoid their damaging effect to your pocketbook.

8. Lo-Balling. A variation of bait advertising is lo-balling. The Federal Trades Commission first used this term in 1967 in a case involving automobile transmissions. In lo-balling, the company advertises or promises a service at an outrageously low price and actually performs the work at the advertised price, but only as an entirement to get possession of the automobile so the company can gouge the owner for additional unneeded repairs.

9. Fear-Sell. Peddlers still make fortunes preying on people's fears. A woman had four perfectly healthy maple trees felled by a wandering "tree surgeon", who told her they were rotten and could come crashing down on her house.

   Some termite inspectors carry bugs which they plant in the wood, and then inform the alarmed homeowners that unless the "termites" are exterminated, the house will quickly deteriorate.

   These are just two of the many ways peddlers make money on people's fears.

ACTIVITY #1
Study Guide

1. Mention two ways that you have been frauded in the past:

   A.____

   B. ____

2. What are two deceptive practices that you have seen? What are two deceptive practices that you have experienced? Explain fully.

   ____

   ____

   ____

   ____

3. How are contest "winners" frequently tricked? __________________

   ____

   ____

4. What should you be careful of in joining any wholesale or Discount Buyer's Club?

   ____

   ____

   ____

5. How does the "Bait and Switch" scheme work?

6. What should you do if you receive unordered merchandise in the mail? Why?

COUNTER TACTICS AND COMPLAINTS

How to protect yourself. Of all sellers, door-to-door salesmen have the worst reputation for using fraudulent and deceptive tactics to make a sale. For your own protection against falling victim to a sales scheme, here are a few consumer tactics to remember.

1. Handling door-to-door salesmen. When confronted with a door-to-door salesman, you should ask the following questions before you allow him to enter your home:

   a. What is your name and what company do you represent? (He will probably tell you these two things anyway but ask him again to make sure you understand who he is and the name of the company he is working for).

   b. What is your State Sales Tax Number? (By law he is required to give you this number if asked. This number identifies him as having registered with the State Sales Tax Office).

   c. Are you licensed by the City or County to do business here? If so, may I see your license? (This identifies him with the City or County he is doing business in. Usually a $100.00 bond has been paid by the salesman and the City Clerk has a record of the salesman's name, address, and his business).

If the salesman cannot or will not answer these questions, this is a pretty good indication that he is not a reputable businessman. DON'T DO BUSINESS WITH HIM!

NOTE: Three Day Cooling-Off Period. One of the most important things to remember when dealing with a door-to-door salesman is the fact that you have the right to cancel your sales contract within three business days after signing it. The salesman is required to provide you with a notice of cancellation form and explain how to use it. If the salesman fails to mention this "right to cancel" it may be one indication that he is not a reputable businessman. Ask him about it.

NOTE: Keep yourself informed. Learn what an item should cost. Look it up in a catalogue or shop around and compare the price of similar products. You may find that you can purchase an item in a local store at a much better price than you could from a door-to-door salesman.

2. Actions you can take. If you believe that you have fallen victim to a sales scheme or have been taken advantage of in any business transaction, the following action may be taken.

   a. File a complaint with your State Attorney General's Office. This will cost you nothing. The Attorney General's agents will look into the matter and take whatever action seems necessary to recover your loss, and in many cases, they may even BAN the business from doing any further sales activity in the State.

   b. File a complaint with the Better Business Bureau. They have no authority to bring legal action against a business, but they can advise other consumers to avoid doing business with the business you complained to them about.

   c. Depending on the nature of your complaint and the amount of money lost, you can file a claim with Small Claims Court.

      This will cost you a small fee. You will not need an attorney. You can represent yourself in court. This is a very quick and inexpensive way to try to remedy your complaint.

ACTIVITY #2
Study Guide

1. How are contest "winners" frequently tricked? ______________________________

____

2. What should you do if you receive unordered merchandise in the mail? Why?

____

____

____

3. How would you handle a door-to-door salesman if he was selling something that interested you? ______________________________

4. What is the "three day cooling-off period"? ______________________________

5. List three actions which you can take if you have fallen victim to some sales scheme or have been otherwise taken advantage of:

   A. ______________________________

   B. ______________________________

   C. ______________________________

6. What should you be careful of in joining any wholesale or Discount Buyer's Credit?

7. What steps should you take if you believe you have been cheated?

   A. In a store: ______________________________

   B. Bait and Switch: ______________________________

   C. Door-to-Door: ______________________________

Pointers on how and to whom you should direct complaints so that you get results and not a brush-off.

1. First go to the store or dealer where you bought the product. The seller is usually closer to you than the manufacturer and may be more sensitive to your problems. He may also back you if and when you do contact the manufacturer.
2. If complaining to the seller fails to bring results go straight to the top: send your letter to the president of the manufacturing company or to the chairman of the board, which is more likely to get results and less likely to have your letter get lost on someone's desk. You can obtain the addresses of most major corporations, and the names of the officers, in the Standard and Poor's reference books in your local library.
3. The complaint letter should include: your name, address and location of the store where you bought the product and the date of purchase; the product make, model number, and any other identifying information: description of the problem and the seller's efforts, if any to resolve it.
4. Describe your inconvenience, any damage caused by the defect and the price you paid.
5. Include supporting documents: copies of repair bills, previous letters to seller or manufacturer -- notes of phone conversations and pertinent dates.
6. State your request for repair or other action in a clear and positive term: avoid sounding either apologetic or too angry.
7. Send carbons of your complaint letter to your two senators and your representatives.
8. Inform government officials, beginning with the Office of the President. The White House should be made aware of consumer complaints. The President and his advisers take the pulse of the public by the number of letters the White House receives on various issues. (Consumer complaint mail is usually channelled to Mrs. Virginia Knauer, the President's Assistant for Consumer Affairs). If you don't know the federal agency which has jurisdiction over your problem, the White House will probably be sble to refer your letter to the appropriate one. In any bureaucracy, it is easier for complaints to filter down from the top than move up from the bottom.
9. Inform the federal agencies of your plight.
10. Inform congressional committees: a buildup of complaints can lead to legislative hearings or a prodding of the deficient agency.
11. Notify your state attorney general. Increasingly, these officials are establishing consumer fraud divisions. Some cities also have consumer protection agencies.

12. Contact voluntary consumer groups, such as Consumer's Union, a private consumer testing organization, 256 Washington Street, Mt. Vernon, New York 10550, and Consumer Federation of America, Suite 406 1012 14th Street, N.W., Washington, D.C. 20005.

13. If you believe your situation is newsworthy, contact your local news media representatives. More and more newspapers are hiring fulltime consumer reporters; they may be interested in reporting your story or investigating your problem. "Action Lines" in many metropolitan newspapers and some radio stations and TV stations are useful in airing consumer's problems. If your newspaper and radio-TV station don't offer this service, ask them to institute it.

14. If you have a claim against a merchant or corporation, and other attempts fail to solve the problem try suing in Small Claims Court, which is potentially an efficient and inexpensive resource for consumers. To find out how to make better use of these courts, write to Small Claims Study Group, c/o John H. Weiss, Room #1, Quincy House, Cambridge, MA 02138.

Remember that a single complaint letter can co some good.

ACTIVITY #3
Study Guide

1. If you had a problem would you prefer dealing with the complaint department manager, a salesperson, the manager, the owner? Why?

   ____

   ____

   ____

2. Recall your last three purchases. Explain the factors influencing your decision to purchase.

   ____

   ____

   ____

3. To what extent do you feel sellers cheat consumers in the marketplace; to what extent do you think you would cheat in the position of the sellers? ________

   ____

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		
3.		

Student: ______________________ File Code: 61.01.06.01

Date: ______________________ Date Published: 7-17-79

Family Education Program

LAP TEST: CREDIT REPORTING

1. One of the advantages of the credit system is that it allows people:

    a. to take advantage of cash discounts.
    b. to spend more than they earn.
    c. to be free from the necessity of a budget.
    d. to buy now and pay later.

2. One of the bad things about declaring bankruptcy is:

    a. your credit record will carry this fact for as long as 14 years.
    b. your family will become wards of the court.
    c. you will continue to be pressured by your creditors.
    d. you will not be able to buy or sell anything for a period of five years.

3. In order to avoid a credit fix, you should make sure:

    a. that your earning power can keep pace with all of your spending.
    b. that you buy as many sale items as you find.
    c. that you buy as much as you want with today's dollars.
    d. that you buy more than one of everything you need.

4. Chapter XIII of the Federal Bankruptcy Law:

    a. requires that a person sell all of his possessions except for household items
    b. requires a debtor to be placed on probation.
    c. declares all of a person's debts uncollectable.
    d. allows a person in debt to pool his debts.

5. One trouble sign of credit mismanagement is:

    a. you are buying fewer items with credit.
    b. you are buying more now but enjoying it less.
    c. you are buying more items with cash.
    d. you are left with no surplus at the end of the month to cover emergencies.

6. Credit is usually easier to spend than cash because:

    a. it is less valuable in the long run.
    b. it has a wider range of acceptance.
    c. it does not feel like you are giving up anything.
    d. it is better understood by most people.

7. Credit files are listed under:

    a. husband's name only.
    b. wife's name only.
    c. both the husband's and wife's name.
    d. the head of household.

8. If you do not agree with something in your file:

   a. have it reinvestigated.
   b. you can throw out that section.
   c. have it retyped.
   d. have a list of people the file has been sent out for the past four years.

9. If you disagree with something in your file you can write a statement correcting it in __________ number of words.

   a. 90
   b. 80
   c. 100
   d. 25

10. What is the Truth-in-Lending Law?

   a. protects people from false or misleading information.
   b. protects people from misleading credit users.
   c. requires the buyer to purchase something he is not aware of.
   d. amount of credit received by a debtor.

LAP TEST ANSWER KEY: CREDIT REPORTING

1. D
2. A
3. A
4. D
5. D
6. C
7. C
8. A
9. C
10. B

Student: ______________________ File Code: 61.01.06.02

Date: ______________________ Date Published: 7-17-79

Family Education Program

LAP TEST: FRAUD AND THE CONSUMER

1. What type of sales tactic requires the purchase of goods, but promises the buyer a bonus if he gives the salesman a list of people who might buy the same goods.

   a. canned pitch
   b. scare technique
   c. bonus plan
   d. referral plan

2. Of the following, which has the worst reputation for using fraudulent or deceptive sales tactics?

   a. used car salesman
   b. door-to-door salesman
   c. furniture store salesman
   d. mail order business

3. It may be stated that referral sales tactics are:

   a. seldom used.
   b. usually fair.
   c. illegal.
   d. reasonably sound.

4. The main problem with many fraudulent magazine subscriptions is that the customer:

   a. pays more than the magazines are worth.
   b. does not get a very good variety of magazines.
   c. has trouble renewing his subscription.
   d. is held to his word.

5. Your best protection against fraud and deception is:

   a. remember what the salesman looks like.
   b. to be informed as to the real cost of goods and services.
   c. talk with your banker before signing a sales contract.
   d. see a Small Claims Court Judge.

6. Your state Attorney General's Office can help protect consumers against fraud and deception by:

   a. informing you of the real cost of an item.
   b. setting up "arbitration" between the consumer and seller.
   c. advising you on who to do business with.
   d. banning a business from selling their products in your state.

7. If you have fallen victim to a fraudulent sales scheme involving a considerable amount of money who should you contact in order to attempt a recovery of this money?

   a. Small Claims Court
   b. Better Business Bureau
   c. State Attorney General's Office
   d. Department of the Treasury

8. Once you have signed a contract induced by fraud you:

   a. can go to jail.
   b. must pay what you agreed.
   c. are not legally bound to pay what you agreed.
   d. must pay at least half of what you agreed.

9. A "three day cooling-off period" means:

   a. you have three days to pay for the product.
   b. you have three days to cancel a door-to-door sales contract.
   c. the salesman has three days to deliver the product.
   d. the product is under a guarantee for only three days.

10. To cancel a contract what point listed below should you not do:

    a. keep a copy of the notice of cancellation.
    b. send in the notice within four business days.
    c. detach, sign and date the notice of cancellation.
    d. read the notice of cancellation form.

LAP TEST ANSWER KEY: FRAUD AND THE CONSUMER

1. D
2. B
3. C
4. A
5. B
6. D
7. C
8. C
9. B
10. B

Student: ______________________ File Code: 61.01.07.00
Date: ______________________ Date Published: 7-24-79

Family Education Program

UNIT TEST: YOUR INSURANCE DOLLAR

61.01.07.01

1. Comprehensive major medical insurance includes which two other types?

   a. major medical and basic health coverage.
   b. regular medical and disability income.
   c. major medical and disability income.
   d. regular medical and basic health coverage.

2. If money was no problem for you, which of the following insurance would give you the best coverage?

   a. hospital expense, surgical expense, and regular medical.
   b. comprehensive major medical and disability income.
   c. hospital expense, surgical expense and regular medical.
   d. major medical and disability income.

3. What is a co-insurance provision?

   a. a very low deductible amount.
   b. the cost of the hospital room and surgery.
   c. call for the policy holder to share expenses beyond the deductible amount.
   d. pays the bulk of any additional hospital costs.

4. What is the incontestable clause:

   a. the readjustment period after an accident.
   b. that your policy can not be cancelled under any reasons.
   c. the company must continue the policy unless the policyholder stops paying his premiums.
   d. this only covers the first 12 months that you have your policy.

5. Which insurance lists the number of specific operations that will be covered:

   a. regular medical insurance.
   b. surgical expense insurance.
   c. basic health insurance.
   d. hospital expense insurance.

61.01.07.02

6. The cost of insurance varies though which one is not one of these factors?

   a. the benefits paid.
   b. the risks involved.
   c. the deductible.
   d. the non-coinsurance feature.

61.01.07.02 (continued)

7. A health insurance policy which states that it is "guarantee continuable":

   a. will stay in effect as long as you do not over pay on your premium.
   b. can never be discontinued.
   c. may also state curcumstances under which it may be discontinued.
   d. will stay in effect even after you die.

8. When you buy an insurance policy what should you be sure not to do:

   a. read your policy carefully.
   b. don't worry about renewal of the policy.
   c. only deal with well-known and respectable companies and agents.
   d. ask the agent specific questions about what you are and are not covered for.

9. What is most likely the worst consequence of not having health insurance?

   a. running out of money during an operation.
   b. fear of not being covered for death benefits.
   c. responsibility of keeping up with the high cost of premiums.
   d. possibility of being denied admittance to a hospital.

10. What is a claim:

   a. something you have said.
   b. a demand for payment.
   c. an amount of money.
   d. part of your bill.

61.01.07.03

11. When you buy a life insurance policy for a period of five years, who is betting that you will make it alive through the next five years?

   a. you, yourself.
   b. a beneficiary.
   c. the insurance company.
   d. your family.

12. With a whole life insurance policy you can have:

   a. part of its protection and all of its cash value.
   b. its protection and its cash value.
   c. its protection or its cash value.
   d. all of its protection and part of its cash value.

13. The best way to interpret what the cash value of a whole life insurance policy really is:

   a. is a savings account.
   b. is a cash reward.
   c. is an investment fund.
   d. is a variable annuity.

61.01.07.03 (continued)

14. Life insurance premiums cost:

    a. the same regardless of their method of payment.
    b. least is paid annually.
    c. lease if paid monthly in advance.
    d. most when paid quarterly.

15. You can save more money by buying:

    a. term insurance and investing the money you save on its lower premium.
    b. whole life insurance and investing the money you save on its lower premiums.
    c. whole life insurance and saving through the policy itself.
    d. "no risk" insurance and investing the moeny you save by combining your insurances.

61.01.07.04

16. You will not need life insurance if:

    a. you have anyone who is dependent on your support.
    b. you have a husband or wife who could not work immediately if you died.
    c. you are a small child and die at one.
    d. you do not have enough savings or other income to support your loved ones if you died.

17. When buying insurance, what is an item that you should be careful of:

    a. an agent who answers all of your questions.
    b. an agent who won't give you a chance to think things over.
    c. asking friends about their insurance companies and agents.
    d. buying insurance from an agent who has been in business several years.

18. The primary purpose of life insurance is to provide protection for your family if you die. What is the secondary purpose:

    a. to protect items you own.
    b. savings or retirement income.
    c. protect your wife or husband.
    d. none, only one purpose.

19. The cash value of a whole life policy can:

    a. be cashed in and still have the coverage.
    b. not be used until the insured individual dies.
    c. can be paid back at a lower than market interest rate.
    d. never be paid back once it is borrowed.

20. What is an item that you should not be wary of when buying insurance:

    a. an agent who offers "free" insurance.
    b. an agent who offers you time to read the policy.
    c. an agent who tries to get you to drop an existing policy and buy a new one.
    d. an agent who tries to appeal to your emotions.

61.01.07.05

21. Under the property insurance coverage of your homeowners policy, the following items are covered: your house, your personal property, and your:

    a. additional living expenses.
    b. medical expenses.
    c. loss of income expenses.
    d. recreational expenses.

22. What is not covered under property insurance:

    a. personal property.
    b. house.
    c. garage.
    d. farm house.

23. What is covered under the broad form of property insurance?

    a. aircraft.
    b. surface waters.
    c. backing up of sewers.
    d. freezing of air conditioning systems.

24. Which is the delux model of property insurance:

    a. basic.
    b. broad.
    c. extended.
    d. comprehensive.

25. Additional living expenses includes:

    a. flood.
    b. motel and restaurant charges.
    c. earthquake.
    d. collapse of building.

61.01.07.06

26. Under the homeowners polisy, which coverage protects you against lawsuits which stem from incidents involving you, members of your family, or your pets?

    a. medical payments.
    b. personal liability.
    c. supplementary coverage.
    d. uninsured homeowner.

27. What is the usual coverage limit on the medical payments coverage of a homeowners policy?

    a. $15,000
    b. $ 5,000
    c. $ 500
    d. $25,000

61.01.07.06 (continued)

28. What is not covered under the tenants package?

    a. additional living expenses.
    b. broad form.
    c. liability coverages.
    d. extended form.

29. Which of the following is not covered under liability insurance?

    a. medical payments.
    b. dwelling.
    c. comprehensive personal liability.
    d. none of the above.

30. What is a deductible:

    a. amount you pay yearly to keep your policy active.
    b. amount you need to pay before the insurance company will begin to pay off.
    c. an amount you are to pay.
    d. this is the total amount of damage.

UNIT TEST ANSWER KEY: YOUR INSURANCE DOLLAR

61.01.07.01

1. A
2. B
3. C
4. C
5. B

61.01.07.02

6. D
7. C
8. B
9. D
10. B

61.01.07.03

11. C
12. C
13. A
14. A
15. A

61.01.07.04

16. C
17. B
18. B
19. C
20. B

61.01.07.05

21. A
22. D
23. D
24. D
25. B

61.01.07.06

26. B
27. C
28. D
29. B
30. B

Family Education Program

YOUR INSURANCE DOLLAR

Family Training Center, Inc.

Family Education Program

File Code: 61.01.07.00

Date Published: 7-18-79

Learning Experience Guide

UNIT: YOUR INSURANCE DOLLAR

RATIONALE:

A knowledge of the different sections in insurance and how each item can affect you and your family.

PREREQUISITE:

None.

OBJECTIVE:

To identify the types, significant features and discriminating qualities involved in insurance.

RESOURCES:

1. Instructor-prepared test and worksheets.
2. Pamphlet: Policies and Protection.
3. Pamphlet: Life Insurance.
4. Pamphlet: Insurance for the Home.
5. Pamphlet: A Family Guide to Property and Liability Insurance.

INSTRUCTIONS:

1. Read LAPs and do activities as required.
2. Read pamphlets as indicated.
3. Complete LAP tests with 80% accuracy.
4. If you have any problems with the material reread sections which present the information.
5. Ask instructor for help if problem continues.
6. Completion of Unit Test with 80% accuracy.

Principal Author(s): Christine Olson

INTRODUCTION:

Health insurance is based on the idea that something might happen to you that will cost a lot of money. The need for medical care--because of sickness or accident--is something that might happen to anyone, at any time.

Some day you're going to die. Hopefully, that will be many years from now, but with each year that goes by your chances of dying become a little greater. This is why life insurance is a good reason to buy so that when you do die you can leave money for the people you love and are responsible for.

Homeowners insurance protects you against the risk that your property may be damaged or stolen. It can also protect you against a claim or lawsuit if someone is injured on your property. By paying a small amount each year for insurance, you can avoid the risk of a big loss in case of disaster.

OVERVIEW:

In this unit you will learn why so many people spend so much money on something they may never use -- insurance.

PERFORMANCE:

If you run into something that you're not sure about, go back and reread the information. Then if you are still not sure, ask for help. Do not try to proceed through the LAP if you don't understand all you have covered.

EVALUATION:

1. Completion of LAP study guides.
2. Completion of LAP tests with 80% accuracy.
3. Completion of Unit Test with 80% accuracy.

COMPETENCY:

You will be able to state examples of the following:

1. Health Insurance.
2. Life Insurance.
3. Homeowners Insurance.

ASSIGNMENT:

Read the cover page of the LAP, then proceed to the reading of the text doing the activities enclosed.

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Family Education Program

Learning Activity Package

Student: ____________

Date: ____________

PERFORMANCE ACTIVITY: Kinds of Health Coverage

OBJECTIVE:

The student will determine through exercises which type of health coverage they need.

EVALUATION PROCEDURE:

Completion of LAP activities according to checklist.
Completion of LAP Test with 80% accuracy.

RESOURCES:

1. Attached -- "Kind of Health Coverage".
2. Pamphlet -- Policies and Protection, American Council of Life Insurance, Washington, D.C.

PROCEDURE:

1. Read LAP -- "Kinds of Health Coverage".
2. Obtain and read Chapter 3 in pamphlet -- Policies and Protection.
3. Do all LAP activities.
4. Have the instructor validate the LAP according to checklist.
5. Complete LAP Test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

What kinds of health insurance are there. Ill health can kill you! Financially, too, it can consume every dollar you earn; it can destroy a lifetime of savings and investments, it can place you so deeply in debt you may never be able to climb out; it can drive you into bankruptcy.

1. Hospital Expense Insurance:

   This insurance covers part or all of your cost of staying in the hospital, including room and board, nursing care, operating room, X-rays, laboratory tests and drugs. Only those expenses which occur at the hospital will be paid and usually there is a limit on how much of any one day's expenses will be paid as well as how many day's expenses will be paid.

2. Surgical Expense Insurance:

   This type of insurance pays part or all of the surgeon's fee for an operation. Most policies list the number of specific operations and the maximum amount that will be paid for each.

   Example: If you have your appendix out, the insurance company will pay $400. If that is what your doctor charges, fine. If he or she charges more, however, you must pay the difference yourself.

   Unless your premium (insurance payment that you pay on your policy) is extremely high, you will probably only receive a portion (50-75%) of the actual cost involved. This type of insurance can be bought in combination with surgical expense insurance.

3. Regular Medical Insurance:

   This type of insurance covers part of the non-surgical care of a physican. An example of this would be the help that a patient would get in a doctor's office, at the hospital, or in their home. This kind of insurance is usually bought along with hospital and surgical insurance, the three together are called basic health coverage.

4. Major Medical Expense Insurance:

   This type of insurance picks up where basic health coverage leaves off. If your basic plan covers only a certain number of days in the hospital, major medical will take over after you reach the limit. If your doctor's bills have not been fully covered, major medical will pick up the difference. It will also cover some additional expenses, such as special tests. Major medical will keep on paying even if your medical bills are very, very high possibly from a serious injury or a prolonged illness. The benefits payable under this type of insurance may go as high as $50,000 or higher.

5. Comprehensive Major Medical:

   This type of insurance includes coverage which is similar to the combination of basic health coverage and major medical expense insurance. It may also include accidental death and loss of a part of the body. It may or may not cover pregnancy, depending on the particular policy. So this type of coverage will protect you from major and minor illness.

6. Disability Income Insurance:

This last type of health insurance is different from the others from the point that it does not help to pay medical expenses. This type helps to replace any income which might be lost due to sickness or injury.

Disability insurance pays a certain amount per week if you are disabled and cannot work. If you buy a policy that pays the same amount as you earn, the premiums will be very high. In a pinch, you could probably get by on less of your normal income. The policy would probably include a waiting period of 30 days after you are disabled, before payments would begin. The longer the waiting period, the lower your premiums will be. It is relatively inexpensive, but it is really only worth the cost if you are making a sizable income.

Policies differ according to how much salary they will replace and for how long. The maximum benefit, however, usually no more than 40-60 percent of your incoming salary.

Two features to look for in disability insurance: 1) the policy should include a waiver of premium. This means that, if you are disabled, you will no longer have to pay premiums to remain insured, and, 2) it should be guaranteed renewable. This means that whatever happens to you, or whatever claims you make on your insurance company, you can still renew your insurance.

7. Dental Insurance:

The cost of dental care, which can be quite high, is excluded from most insurance plans. Thus, if you wish to be covered for these expenses, you must usually buy a separate policy. Since the chances of needing dental work are quite high, however, the premiums are also likely to be high. Look carefully at the complete policy before you decide whether this type of insurance is a good buy.

ACTIVITY #1
Study Guide

Answer these questions from the end of Chapter 3 in the Policies and Protection pamphlet below:

1. What is the proper type of health insurance in each situation: ____________

____

____

____

____

2. What protection is provided in a health insurance policy? ____________

____

____

3. Do the class discussion section individually below:

ACTIVITY #2
Study Guide

Match the types of insurance with the situations that they would cover:

1. _____ hospital	a long illness, with costs over $19,000.
2. _____ surgical	basic room and board at the hospital.
3. _____ major medical	having your tonsils out.
4. _____ dental insurance	being unable to work for a year.
5. _____ disability	having your teeth pulled.

ACTIVITY #3
Study Guide

1. Write definitions for each of the following terms used in health insurance:

major medical: ____

basic health: ____

disability: ____

2. Name three types of health insurance and what each covers:

a. ____

____

b. ____

____

c. ____

3. In your stage in life at this time--which forms of health insurance would be best for you? ____

____

____

4. At present, which forms of health insurance do you have? ____________

____

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CHECKLIST

Activities	Date Compl.	Instr. Init.
1.		
2.		
3.		

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Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Where and How Much Insurance?

OBJECTIVE:

To identify the significant features in health policies.

EVALUATION PROCEDURE:

Completion of LAP activities according to checklist.
Completion of LAP Test with 80% accuracy.

RESOURCES:

Attached: "Where and How Much Insurance?"

PROCEDURE:

1. Read -- "Where and How Much Insurance?"
2. Complete LAP activities.
3. Read section on "How Do I Collect On My Insurance?"
4. Complete LAP activities.
5. Have instructor validate materials from checklist.
6. Complete LAP Test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

WHERE DO I GET HEALTH INSURANCE?

Most people get health insurance where they work--through the company they work for, or through their labor union or Blue Cross and Blue Shield. Insurance may be included as one of their fringe benefits, or they may have to pay for the insurance themselves.

Even if you do have to pay for it, the health insurance where you work is usually your best buy. What you are doing is signing up to join a group insurance policy. Because it covers a large group of people, in different age and health groups, the risks are spread out. For this reason, the premiums will be quite a bit lower on a group policy than on one you buy for yourself alone. Also, it may be a little easier to pay the premiums if they are taken directly out of your paycheck.

But what if your company or union does not offer insurance? What if you are self-employed, or work part-time? What if a group policy does not include all the insurance you want? In all cases, you will have to buy an individual policy. This will mean dealing directly with an insurance company, usually through one of its agents. The insurance company may specialize in health insurance only, or it may be the same company (and the same agent) who sells insurance on your car or your home. Although an individual policy will be more expensive, it can be tailored to fit your particular needs.

What about mail-order insurance? you may have seen health insurance advertized in a magazine. Or you may have received an offer in the mail--often with the endorsement of some famour person. Mail-order insurance should always be approached with a great deal of caution. In the first place, it could be a fraud! You may find out--too late--that you have no insurance at all. In any case, you will not be able to get the service that you would get from a personal agent. At the very least, be sure to check with your state insurance commissioner's office about the company involved, and compare its offer with other health plans before you decide to buy.

ACTIVITY #1
Study Guide

1. Fill in the blanks:

   Most people get health insurance where they (a) __________. This is called (b) ________________ policy. If you are self-employed, you will probably have to get an (c) ____________________ policy. You buy this from an insurance company, through one of its (d) ________________________. This type of policy will probably be (e) ______________ expensive, but it can be tailored to your own particular (f) ______________.

2. Suppose you get an offer for mail-order health insurance:

   a. Why should you think twice before you buy it? ____________________________

   ____

   b. If you still think you want to buy it, what should you do first? ______

   ____

3. When you finish the program and get a job, what would you do in checking out if the company had a health policy? Where would you go if they did not have one? ______________________________

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HOW MUCH HEALTH INSURANCE SHOULD I GET?

How much insurance you want and how much you can afford may be two different things! The first is to balance your basic needs against the size of the premiums you will have to pay.

Your need for various types of health insurance depends on your age, your health history, and your family situation. When you were under 19 you were covered as a dependent on your parents' insurance. After that, you may need to get your own insurance. The older you get, of course, the greater the chances of getting sick or needing surgery. Your family's health history may also be important. If there is a history of heart disease, cancer, or diabetes for example, your need for insurance may be greater. Finally, your need for insurance becomes greater if you marry or have children. At that point, you will have dependents of your own to worry about.

The cost of health insurance varies according to: 1) the risks involved, 2) the benefits paid, 3) the co-insurance feature, and 4) the deductible (or waiting period, in the case of disability insurance). Let's see how some of these factors might affect different types of health insurance.

For basic hospital -- This is surgical coverage. There is a reasonable chance that, sooner or later, you will have to go to the hospital for some reason. On the other hand, the benefits may be limited in number of days or maximum amount paid. There will probably be a coinsurance feature, lowering premiums still further.

Major Medical Expense Insurance -- This is probably the first health insurance that you should buy. It is generally quite economical costing and yet it can protect you from the tremendous burden of extreme medical expenses. Of course, you will have to pay the first one to two thousand dollars of expenses, depending upon how large a deductible you have.

NOTE: A deductible is the amount that you must pay in medical expenses before your health insurance policy takes over. The higher the deductible, the lower will be your premium. This is one good way to get your premium or insurance payment down to a reasonable level--by choosing a higher deductible.

Disability Income Insurance -- You might want to add this type of insurance to any of the other plans that have already been mentioned. It is relatively inexpensive, but it is really only worth the cost if you are making a sizable income. If your income is not that great, you would probably be better off contributing regularly to a savings account or buying U.S. Savings Bonds.

Dental Insurance -- On the other hand, dental insurance is high-risk; you are much more likely to need dental work. This high risk is likely to be balanced by a deductible (you pay the first $100), a coinsurance feature (you pay 20%) and/or a limit on benefits.

Finally, if you have dependents (husband, wife, children), you will want them to be covered by health insurance, too. Some companies and unions will automatically include your dependents in their group policy; others will require you to pay extra. This is one "extra" that is definitely worth it, unless other members of your family have their own insurance through jobs of their own. It is not worthwhile to insure the same person twice, because you will not be able to collect twice for the same expenses. It's better to save your money and use it to pay the deductible or the coinsurance!

Health Savings Fund. If you can afford more than 8-10 dollars per month on health insurance, but you cannot afford 30-40 dollars, then you should probably start a health savings fund of your own. The money which you are able to save in this fund could help you to pay whatever costs your major medical policy doesn't cover. This is a form of self-health insurance, and it is far better than wasting your money on bits and pieces of inadequate insurance.

Comprehensive Major Medical -- This insurance would add basic health coverage to your major medical policy. This is the most extensive coverage that you can buy, but it will cost you anywhere from 30-60 dollars per month or up. With this policy, however, you would be covered for hospital, surgical, regular medical and major medical expenses.

ACTIVITY#2
Study Guide

1. Which of these people needs the most health insurance? The least? Why?

   a. Gloria is 23, married and one child. She works as a secretary.

   b. Martina is 39, divorced, with three children. Her mother has diabetes and her father died of a heart attack at the age of 48.

   c. Alan is 52 and married. He and his wife both work. Their daughter is grown up and self-supporting. His parents are both in their 80's and healthy.

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ACTIVITY #3
Study Guide

1. What are the four factors that determine how high your premiums will be?

   a. ______________________________

   b. ______________________________

   c. ______________________________

   d. ______________________________

2. Fill in the blanks:

   The premiums for hospital-surgical insurance will be lower if the benefits are (a) ____________ and it contains a (b) ____________ feature. In major medical, the risk is (c) ____________, but the benefits may be very (d) ____________. For disability insurance, your premiums will be lower if you take (e) ____________ benefits and a longer (f) ____________. Because dental insurance is (g) ____________ risk, it may well include a $100 (h) ____________, 20% (i) ____________, and/or a limit on (j) ____________.

3. Is it a good idea to buy two similar health insurance policies for the same person? Why or why not? ______________________________

   ____

   ____

4. How much insurance and which types do you and your family need? How did you reach your decision? ______________________________

   ____

   ____

   ____

   ____

How do I collect on my insurance?

Health insurance is something that you buy in the hope that you will never have to use it! If you do have to use it, however you want to, be sure that it is there, doing everything for you that it should.

What happens if you do have to go to the hospital? If you are insured by a big insurance company, you will probably be given a card to prove that you have hospital coverage. If you do not have such a card, ask the insurance person where you work (or your own insurance agent) about it. Always carry this card in your wallet. If you have a card, all you need to do is show it when you enter the hospital. The hospital will probably send a bill directly to your insurance company. If you do not have a card, the hospital will want to know the name of your insurance company and other details before admitting you as a patient. Even if you are in pain, the hospital will want to make sure that someone is going to pay your bill! Many hospitals and clinics will not even admit people for emergency medical treatment who do not have health insurance or are not able to pay in advance.

If you receive a bill from the hospital for hospital costs and/or doctors' fees, take it to your insurance person at work, school, or to your agent. There may be special forms that the hospital must fill out before you can collect. Be sure to find out whether the insurance company will pay the hospital or the doctor directly, or whether they send a check to you. On the one hand, you do not want to pay the same bill twice. On the other hand, if the money come to you, you are responsible for paying those bills. In any case, remember you are responsible for paying any deductible or coinsurance parts.

With all the speical features of an insurance policy--deductible, coinsurance, benefit limits--how do you really know how much you can collect? This is usually a question for experts -- people who handle these matters every day. Again, you need to talk to the proper person at your company or union, or to your own insurance agent. (At this point, if you have mail order insurance, you could be in trouble). Even if you are not quite sure, however, do file a claim for what you think you should collect. Your insurance company will change your figures if necessary and send you the correct amount.

Things to be aware of.

1. Policies with unusually low premiums. This may indicate that this particular company rejects many claims. A company which pays a high percentage of their premiums back to their customers on just claims cannot afford premiums which are unusually low. Blue Cross, Blue Shield, for instance, pays about 96% of the money which it takes in as premiums back to its customers in claims.

2. Policies which state unusually high benefits in such a form as "up to $5,000 for hospital costs." The fine print might read that the maximum amount payable for any one week is $100. That means you would have to stay in the hospital for 50 weeks at an average cost of $100 per day in order to collect your $5,000.

3. Policies which state unrealistically low maximum benefits payable for the particular items which it lists as insured. For instance, if the policy listed maximum benefits which were only equal to about 25% of

your actual costs for any of these items (such as maximum benefit of $100 for an operation which would cost at least $400), then you might wonder if the protection you would be getting would be worth its costs.

4. Policies which state that they are "guaranteed continuable" but then list a number of circumstances under which your policy could be cancelled. Any loop holes on this matter of whether or not the company has to renew your policy can leave you open to a quick cancellation by the company as soon as you start making any large claims.

Before you buy any health insurance policy. . . .

1. Only deal with well-known and respectable companies and agents.
2. Read your entire policy carefully.
3. Ask the agent specific questions about what you are and are not covered for.
4. Ask the agent specific questions as to how much you are covered for and as to how payments are figured (on a daily basis, monthly, by each occurrence, etc.).
5. Give the agent specific examples of illnesses and injuries, and then question him on your coverage.
6. Ask the agent about the way in which renewal of this policy is determined.
7. Ask to see any and all of these answers in the written statements of your policy. If something is not specifically written into your policy, then you are not legally covered for it.

ACTIVITY #4
Study Guide

1. What does each of these types of insurance cover?

   a. Hospital ____

   ____

   b. Surgical ____

   ____

2. How is major medical insurance related to basic hospital-surgical insurance?

____

____

____

3. What is the main reason for getting major medical insurance?

____

____

____

4. List seven things you should do before you buy any health insurance policy.

   a. ______________________________
   b. ______________________________
   c. ______________________________
   d. ______________________________
   e. ______________________________
   f. ______________________________
   g. ______________________________

ACTIVITY #5
Study Guide

1. Look at a health insurance policy and answer the following:

   a. identify the types of coverage that is included in the policy, and list in order as they appear.

   ____

   ____

   ____

   ____

   b. What are the deductible features? ____________________

   ____

   ____

   ____

   ____

c. What is your feeling about the policy? ______________________

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		
3.		
4.		
5.		

KEY POINTS TO KNOW:

1. Hospital insurance covers the cost of staying in the hospital. Surgical insurance covers surgeon's fees. The two are often combined in a basic hospital-surgical plan.
2. Major medical insurance covers costs beyond the limits of a hospital-surgical plan. It insures against a major medical disaster.
3. Disability insurance pays a certain percentage of your normal income if you are disabled and unable to work.
4. Any policy may include a deductible (you pay the first $100 or $200).
5. Most people get insurance where they work, by joining a group policy. This is usually the best buy. If group insurance is not availabe to you, you will have to buy an individual policy through an insurance agent.
6. Your need for health insurance depends on your age, your health history, and your family situation. The cost of health insurance depends on the risks involved, the benefits paid and the deductible. You must strike a balance between needs and costs to arrive at the right coverage for you.
7. Always carry your insurance card, if you have one. In filling a claim, seek the advice of the insurance person where you work, or your own insurance agent.

GLOSSARY:

1. Coinsurance -- Means that you must pay a certain percentage, usually 20% of the cost yourself. The insurance company will pay the other 80%.
2. Deductible -- A deductible is a certain portion of your medical costs that must be paid by you before an insurance policy will begin to pay off.
3. Premiums -- These are the payments you make in buying insurance.
4. Claim -- Is a demand for payment under your insurance policy.

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Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Two Basic Types of Life Insurance

OBJECTIVE:

The student will determine through exercises which type of life insurance is for them.

EVALUATION PROCEDURE:

Completion of LAP activities according to checklist.
Completion of LAP Test with 80% accuracy.

RESOURCES:

Attached: "Two Basic Types of Life Insurance".
Pamphlet: Life Insurance, Channing L. Bete Company, Inc. Greenfield, MA.
Pamphlet: Policies for Protection, American Council of Life Ins., Washington, D.C.

PROCEDURE:

1. Read LAP, "Two Basic Types of Life Insurance".
2. Obtain pamphlet, "Life Insurance", and read pages 1-7.
3. Obtain pamphlet, "Policies for Protection" and read Chapter 2.
4. Answer questions at the end of Chapter 2.
5. Complete all LAP activities.
6. Have instructor validate materials from the checklist.
7. Complete LAP Test with 80% accuracy.

Principal Author(s): Christine Olson

Family Training Center, Inc.

BUYING LIFE INSURANCE

Understanding life insurance. Just about everybody knows what life insurance is -- it's insurance on one's life. In otherwords, you or I pay some insurance company a stated yearly fee for gambling on the fact that we are going to make it through the year. The company is betting that we will make it, and if they are right, they will have gained our premium. We are betting that we won't make it, and if we win, we will collect the face value (the amount stated on the face of the policy to be paid in case of death) of the policy. Of course, we hope that they win, but we'd just as soon not pay them too much for the privilege of betting on our lives and winning.

What many people have trouble understanding, however, is how can the insurance company win in the long run? After all, everyone is going to die sooner or later, and when that time comes the insurance company will have to pay out what seems like a much larger sum than they took in. Well, if this is what you think, you're absolutely right. Everyone does die sooner or later, and the amount paid out on any one policy is usually greater than the amount taken in on that same policy. However, here are some additional facts which might help you to understand how the insurance company makes its money.

1. Not everyone who begins paying premiums and pays them for a number of years ends up collecting his insurance benefit. Many people start an insurance policy during their relatively low death risk years and then cancel it for one reason or another.

2. The money which people are paying the insurance company today is worth more than the money which most of them will be paid off in at a later time due to inflation.

3. The money which people are paying the insurance company today will be invested by the company, and over a period of years the company will make considerable gains on the interest of that money.

PART I

Two Basic Types of Life Insurance:

There are two basic kinds of life insurance, and the major difference between them involves the number of years that each of them lasts. This major difference, however, is linked to a number of other differences as will be pointed out.

Term Insurance --

This is the most inexpensive of all life insurance plans. It pays only for protection against your dying. Term insurance policy insures your life for a stated number of years (usually five years) and the premium will remain the same for that term. The premiums will be low when you are young because there is less chance that you will die while you are young.

Let us suppose that you buy a $10,000 life insurance police for five years. If you die any time within the five years your family will collect the $10,000. If you do not die within the five years, you may want to insure yourself for another five year period. The premium will be higher for the second five-year period because the probability that you will die is greater as you get older.

There are two kinds of term insurance, one is renewable term insurance. Under this type you can buy another policy when your old policy expires. Another type is convertible term insurance. With this type you can switch from term insurance to whole life at the end of the term, if you wanted to.

Term insurance usually covers you until you are 65 or 70. At that time, the risk of your dying is so great that the premium costs would be extremely high.

Term insurance is always a good buy if you need life insurance. It is likely to be the best choice for you when 1) you have very little money to spend, 2) you are good at saving or investing money on your own or, 3) you have a short-term need for life insurance.

A disadvantage of term insurance is that when the policy ends, there is nothing to show for it -- except you are still alive and didn't have to use it. Another disadvantage is that the premiums will be higher the next term. Until age 50, however, if will still be less expensive than any other kind of life insurance.

NOTE: Term is for a stated number of years. Premiums go up each time you renew your policy.

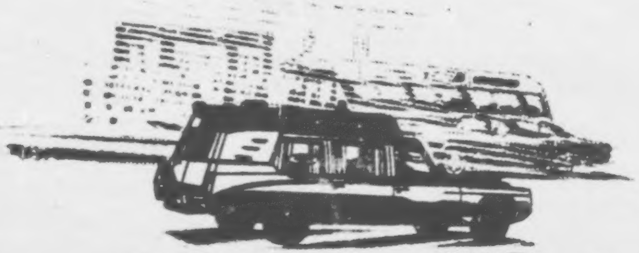
PART II

Whole Life Insurance --

Whole life insurance (often called cash value insurance). A whole life insurance policy insures your life until you die, or until you reach 100 years of age. Naturally enough no one is going to insure your life at the age of 70 without demanding an extremely large premium -- one so large that few people would want to bother. Because of this problem, the insurance industry came up with a plan. They said that the way to even out the payment of premiums between young and old would be to figure out a single premium which would be the average amount between what the young and the old formerly had to pay. This single premium could then be held level with no increases throughout the life of any given individual.

NOTE: Whole life, therefore, lasts for the entire life of an individual and for this entire period the premium will always remain the same. But because everyone collects on a whole life policy sooner or later, the one single premium amount charges the young more than what it actually requires to insure their lives in order that the old can be charged less than it actually requires to insure theirs.

Another important feature of whole life is its cash value which is a type of forced savings. Whole life policies build up a cash value over the years. In other words, if you would like to, you can turn in your policy and get back a fraction of the money that you have paid in up until that point. Many authors describe this cash value as a savings account. They point out that part of your premium is used to buy protection and the other part to establish a savings account for you.



For most age groups, the money paid in by that group in any given year is much greater than the money paid out to that group during the same year. For instance, out of 1,000 persons aged 35 years old, who are paying in premiums, only an average of 2.51 will receive death benefits during the year.

For older age groups, more people will die and be paid their death benefit during the year, but these people have been paying in money (which was invested) for an awfully long time. Even at the age of 65 only an average of 31.75 people out of 1,000 will die. The rest will still be paying their premium to help pay off the death benefits of those who died.

Perhaps this discussion of how an insurance company makes its money will help you to handle your insurance. It should be clear at this point that if an insurance company handles your insurance all the way until the day you die, it will obviously have to make more money from your policy than if it only handled your insurance for a period of time during your younger years.

A whole life policy has several advantages. The savings, or cash value can be borrowed from the insurance company at any time, at very low interest. If you cancel the policy, its current cash value (minus any loan) will be returned to you. The insured may also cash in the policy at any time and receive the savings--but this ends the policy. Another advantage is that the savings earn interest, on which you don't have to pay income tax unless you cash in your policy. If you die, your beneficiaries don't have to pay tax on the money they receive from the policy.

What are the disadvantages of a whole life policy? If you should die early, you will have overpaid for life insurance. You would have been better off buying term insurance at a lower rate. Of course, you have no way of knowing this in advance!

You could earn a higher return on your savings if you invested the money yourself, instead of through the insurance company. But would you really save that money, or would you just spend it? A whole life policy is a form of forced savings. Other methods of forced savings are also available, however. If you have a union where you work, it can take money out of your paycheck each month as savings. You can have your company or bank buy savings bonds for you. Or you can ask your bank to take a certain amount out of your checking account each month and put it into a savings account.

If you buy whole life insurance from a participating company, you are a part owner of that company. Participating insurance companies usually pay dividends. Insurance dividends are refunds of overpaid premiums and are not taxable. Dividends left with the insurance company will earn interest. A non-participating company will pay no dividends, but the premiums are usually lower.

Sometimes a rider will be attached to your policy, changing the terms of the existing policy. A rider may be attached if, when you buy the policy, you have a serious illness or are in an unsafe occupation. Such a rider will limit the policy if you die from that illness or in that occupation.

Often you can buy additional benefits which add to the cost of your policy. One such benefit, the waiver of premium is a good buy. It means that the company will pay your premium if you are totally disabled. Another extra, accidental death benefit, is a form of gambling. Your beneficiary will get twice the policy face amount, or double indemnity if you die by accident. The idea here is that if you die in an accident, you will probably die younger than if you died of natural causes. In that case, your family might need the extra money. Is it worth it? You will have to decide that for yourself.

ACTIVITY #1
Study Guide

1. What should be remembered about term insurance? ____________________

2. How is whole life insurance different than term? ____________________

3. How can a whole life insurance policy provide a cash value which a term life insurance policy does not? ____________________

4. If the amount paid out by the insurance company on any one policy is usually greater than the amount taken in on that same policy, how can life insurance companies make any money? ____________________

5. The life insurance policy that you have here at the school, is it term or whole life? What are the items covered in your policy? ____________________

6. Which form of life insurance will you get for your family when you exit the program? ____________________

ACTIVIT Y #2
Study Guide

Answers to questions from Policies for Protection -- Chapter #2.

1.

2.

3.

4.

5.

6.

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		

File Code: 61.01.07.04

Date Published: 7-19-79

Family
Education
Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: The Mysteries of Life Insurance Policies

OBJECTIVE:

Identify the significant and discriminating features in life insurance.

EVALUATION PROCEDURE:

Completion of LAP activities accordint to checklist.
Completion of LAP Test with 80% accuracy.

RESOURCES:

Attached: "Who Needs It? Where Do You Get It? How Much?"
Pamphlet about Life Insurance, Channing L. Bete Company, Inc., Greenfield, MA.
Pamphlet -- Policies for Protection, American Council of Life Insurance, Washington, D.C.

PROCEDURE:

1. Read LAP, "Who Needs It? Where Do You Get It? How Much?"

2. Obtain pamphlet about Life Insurance and reage pages 8-15.

3. Obtain pamphlet -- Policies for Protection -- Chapter #4.

4. Read LAP section on Costs of Funerals.

5. Complete all LAP study guides.

6. Have the instructor validate materials from checklist.

7. Complete LAP test with 80% accuracy.

Principal Author(s): Christine Olson

WHO NEEDS IT? WHERE DO YOU GET IT? HOW MUCH?

Who Needs Life Insurance?

This question can best be answered by asking what affect the death will have on the resources available to the rest of the family.

The death of the breadwinner, be it husband, wife, or both, will have the greatest effect on the rest of the family. If a parent who does not work outside the home dies, the other parent will have to provide child care and care of the home in some way. One way to prepare for this loss is to purchase term insurance on the homemaker.

The death of a child would be a great emotional hardship, but not a financial one. In fact, family expenses would go down. Still, there may be reasons for buying life insurance for a child. You can guarantee that the child will have life insurance as an adult, regardless of his or her death. The insurance could establish a savings habit for the child. The policy could be used in emergencies or to help finance the child's education.

Basically, you will need life insurance if:

1. You have anyone who is dependent on your support.
2. You have a husband or wife who could not work immediately if you died.
3. You do not have enough savings or other income to support your loved ones if you died.

ACTIVITY #1
Study Guide

1. In the following situations, write who you think would need life insurance in the family if so, term or whole life and why?
   A. Mark is 25 and his wife, Cris, is 26. They both work. They have no children.

   B. Harold is 37, his wife, Margaret, is 36. They both work. They have three children: Sam 14; Alice 12; Erica 8.

   C. Martha is a widow with two children; Diana is 7 and David is 5. She works and she also gets social security for the children. She has invested the money from her husband's life insurance, and this provides some additional income.

Where Can I Buy Life Insurance?

Usually you don't have to look for insurance agents or companies; they'll contact you. Here are some do's and don'ts about where to buy life insurance.

Smart Things To Do:

1. Buy insurance from an agent who has been in business several years. He or she is more likely to stay in the business, giving you ongoing service.
2. Look at publication such as Consumer Reports to compare companies. Read as much information as you can find. Your county extension agent usually has information on life insurance.
3. Consult Best's Insurance Guide or Best's Insurance Report at your public library. These books will tell you if a company is reputable or not.
4. Contact your state Insurance Commissioner's Office, or Department of Insurance. Nearly every state provides an information service for consumers with questions about insurance.
5. Shop around. Talk with several agents who represent single companies. You might also contact an insurance agency that represents several companies. This type of agent, called an independent agent, may be able to help you decide which company's policy might be best for you.
6. Read everything carefully. Take notes when the agent tells you about a policy, and compare different policies. If you don't understand something, ask questions.
7. Ask friends about their insurance companies and agents.

Be Wary Of:

1. An agent who tries to appeal to your emotions, telling you how much you owe it to someone to have life insurance. This sales pitch is known as "wheeling up the hearse."
2. An agent who won't give you a chance to think things over.
3. An agent who offers "free" insurance or asks you to pay only a few dollars the first year. A small fee may be a down payment on a loan for the rest of the first year's premiums.
4. An agent who tries to pressure you in any way.
5. Free gifts, or "endorsements" of famous people. Someone pays for these things, and that someone is usually you if you buy their insurance.
6. An agent who tries to get you to drop an existing policy and buy a new one. The first few years' premiums usually pay the agent's fees and commissions.

ACTIVITY #2
Study Guide

1. Write an example of a person who was not careful on buying insurance:

How Much Life Insurance Will I Need?

To answer this difficult question, you must consider two basic factors: how much will your beneficiaries require to maintain themselves if you die, and how much can you afford. A good insurance agent can be helpful to you in planning your insurance program.

Let's take an example --

Lee and Denise called Jim Jones, their insurance agent, to buy some additional life insurance. When he came over, these are some of the questions he asked them:

1. Was Lee employed? If so, how much did he earn?
2. Was Denise employed? If so, how much did she earn?
3. Did they have children" How many? How old were they?
4. If the principal breadwinner were to die tomorrow, how much would the family need for living expenses?
5. If the principal homemaker were to die tomorrow, how much would it cost to hire someone else to take care of their home and children? Or could the other parent do it alone?
6. What other sources of income--such as savings, stocks, bonds, or rental property did they have?
7. How much would the family receive from social security if Lee died tomorrow?
8. How much would the family receive from social security if Denise died tomorrow?
9. How much pension would Lee get if Denise died?
10. How much pension would Denise get if Lee died?
11. If Denise didn't work outside the home, could she go to work immediately, or would she need some additional training?
12. How much did they still owe on their home?
13. How much would their children need for their education beyond high school?
14. Did they have any large debts?
15. What cash would be needed immediately for medical bills, funeral costs, minor debts, etc.?
16. What other life insurance policies did they have?
17. How old are they?

The questions listed above are a good example of the questions that you would be asked before an insurance agent could give you the figures for additional life insurance coverage.

Do you know what you should do if someone close to you suddenly died? Would you know where to turn for help?

Funerals are a very expensive consumer service and no one knows this better than the people in the business. The average funeral now costs over $2,000 and most of us haven't the slightest idea of what we're buying. Most of us are utterly unprepared for death and for the economic facts involved so it is easy to be victimized by a hastily chosen, unscrupulous funeral parlor. It would be easy for you or anyone to end up deeply in debt for absolutely unnecessary extras if you are not aware of the basic costs.

What does our $2,000 buy us? The following is an example of an American funeral.

Basic Services: This involves everything except the casket, vault, grave marker, and burial expense. The people at the funeral home, the facilities that you have chosen, the equipment needed and any transportation of the body to the burial sight. Also, included in these costs are the preparation of the body, and any paperwork -- example: death certificates and newspaper notices.

All of these items will cost you $800.00 and up.

The Casket: Check exactly what is included in the price tag of a casket. A complete range of services? If so, which services? Don't permit a mortician to make you feel guilty or disrespectful if you try to economize.

Caskets start at around $300. Most funeral parlors will show the least expensive caskets next to an expensive one, so that the lower cost one will look cheap and you will try a more expensive casket then possibly you wanted.

The Vault or Liner: These are structures which are placed in the ground to hold up the sides of the grave so that no part of the grave is ever able to cave in. The liner's start at $70 and the vault's start at $250.00.

Burial Expenses: A cemetery plot will depend on where the burial is going to be, some areas the value of the land is a lot higher than in other areas.

Opening and closing of the grave runs around $180 and the average cemetery plot runs $150.

If you plan to buy a cemetery plot, find out if the cemetery participates in a nationwide Lot Exchange Plan under which, if you move to another area you can trade one plot for another.

Grave Marker: These markers are available in all types of materials and each type has a different cost. The markers start at $75 and can go up to whatever you want to pay.

Cremation: These costs generally run $100.00 and up though if you are not careful this cost as any other cost, can be jacked up higher.

The Cost of Shipping the Dead By Train or Plane: These charges must be considered for one in ten of all the dead are shipped elsewhere for burial. Train fare for a corpse is double the cost of a single first-class ticket for a live passenger. Air Transport is becoming the preferred means of shipping the corpse.

Funeral Flowers: These account for a good bit more than half of the dollar amount of all sales by retail florists in the United States.

If you are interested in finding out more, get a copy of "A Manual of Death Education and Simple Burial," by Ernest Morgan (Celo Press, Burnsvill, N.C. 28714; $1.50). The manual gives straightforward information, body and organ donations to medical schools, etc.

Insist on an itemized list of costs for funeral services and do not sign up for a package of good or services you may not need.

Some of the abuses of the funeral industry which cost you money are:

1. Embalming without permission.
2. Picking up a body without permission or refusing to release it.
3. Requiring a casket for cremation.
4. Failure to provide prices.

You may be qualified to funeral benefits through Social Security or the Veteran's Administration. By going to the social security or VA office you can get complete information on government burial benefits. Most post offices and funeral parlors are familiar with the benefits also, and can assist a beneficiary in applying to the appropriate government agency.

ACTIVITY #3
Study Guide

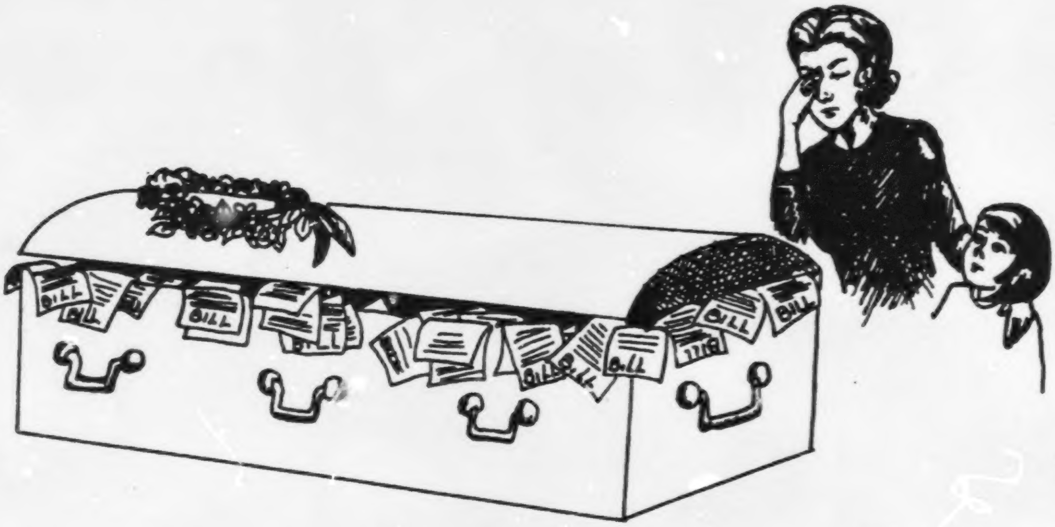
1. Check your weekly newspaper for current stories about family situations that reflect a need for life insurance. Clip the article and include with the LAP.

ACTIVITY #4
Study Guide

1. Ask someone in your family or a friend what type of insurance they have, what coverage it includes, and why they purchased that particular type.

ACTIVITY #5
Study Guide

1. Check your life insurance policy through the school. What kind of coverage does it have? List: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CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		
3.		
4.		
5.		

Family Education Program

File Code: 61.01.07.05

Date Published: 7-19-79

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Property Insurance

OBJECTIVE:

The student will determine through exercises the amount of coverage they need.

EVALUATION PROCEDURE:

Completion of LAP activities according to checklist.
Completion of LAP Test with 80% accuracy.

RESOURCES:

Attached: "Property Insurance"
Pamphlet -- Insurance for the Home, Insurance Information Institute, New York, NY.
Pamphlet -- A Family Guide to Property and Liability Insurance, Insurance Information Institute, New York, NY.

PROCEDURE:

1. Read LAP, "Property Insurance".
2. Obtain and read pages 1-2in "Insurance for the Home" pamphlet.
3. Obtain and read Chapter 1 in "A Family Guide to Property and Liability Insurance."
4. Complete all LAP activities.
5. Have instructor validate materials from checklist.
6. Complete LAP Test with 80% accuracy.

Principal Author(s): Christine Olson

BUYING HOMEOWNERS INSURANCE

But I don't own a home. In years past, when people wanted to insure their house against fire and hail, their personal possessions against damage or theft, and themselves and their family against accident, injury or personal lawsuit, they would have to buy a wide variety of individual insurance policies. Such policies can still be purchased. However, homeowners and insurance companies alike have found a much more economical answer to these varied insurance needs. This answer is called the homeowners policy, and what it does is combine all of these types of various insurance needs into one single type of policy. Moreover, although the homeowners policy is a single combined type of policy, there are a number of different forms of this policy, and whether you own your own home or merely rent, there is a form of homeowners that is appropriate to your needs.

What is the homeowners policy? The homeowners policy is an insurance policy which combines the two basic insurance needs of every homeowner and renter into one policy. These two basic insurance needs are property insurance and liability insurance. Here is a further description of the types of coverages which are included under these two basic headings.

PROPERTY INSURANCE:

What is covered?

1. Your house, garage and any other structures on your lot, excluding any building which is rented out or used for commercial purposes.

2. Your personal property, including household items and personal belongings.

Insure the house you own for at least 80% of its replacement value (the money it would cost to build or buy another house like it). This way you would be able to collect in full for any loss or damages.

If you insure it for less, then you can only collect damages up to the depreciated value of the house. This is the amount of money it cost to build the house originally, minus a certain amount of wear and tear each year.

3. Additional living expenses including such expenses as motel, restaurant, and other such expenses related to the increase in living expenses due to the adjustments made necessary by the damage or destruction of your home.

What are your properties insured against?

Depending upon which form of the homeowners policy which you select your properties are insured against the perils listed below:

1. Basic Form:

*vandalism or malicious mischief
*theft
*fire or lightning
*riot or civil commotion
*windstorm or hail
*loss of property removed from premises endangered by fire or other perils
*explosion
*vehicles
*aircraft
*smoke
*breakage of glass constituting part

2. Broad Form: (All of that covered by Basic Form plus):

   - *falling objects
   - *collapse of building or any part thereof thereof.
   - *weight of ice, snow, sleet.
   - *sudden and accidental damage from steam or hot water.
   - *sudden and accidental damage from electrical currents.
   - *accidental discharge of steam or water from plumbing, heating, or air-conditioning.
   - *freezing of plumbing, heating, or air-conditioning systems.

3. Comprehensive Form:

   All perils except those such as war, nuclear radiation, earthquake, and flood.

ACTIVITY #1
Study Guide

1. Which types of insurance would cover:

   a. fire damage to the sofa: ______________________

   b. the neighbor's broken nose: ______________________

   c. the stollen TV set: ______________________

   d. an airplane through the roof: ______________________

2. Match the type, or types, of insurance with the risks covered:

   a. _____ fire, theft

   b. _____ fire, lightning, water damage

   c. _____ injury to another person or another person's property.

   d. _____ breaking into your home and stealing your property.

   e. _____ wind, hail, smoke, explosion.

   Basic

   Broad

   Comprehensive

   Medical Payments

3. Why is it important to have property insurance? ______________________

____

4. To insure your property which form of homeowners insurance would you buy? Why?

ACTIVITY #2
Study Guide

1. Clip three (3) news items involving home fires, theft or other loss of property. Which type of insurance was needed in each case? Why?

2. Make an inventory of the property in one of your rooms -- include everything. How much is this property worth? Is it insured?

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		

File Code: 61.01.07.06

Date Published: 7-19-79

Family Education Program

Learning Activity Package

Student: ____________________

Date: ____________________

PERFORMANCE ACTIVITY: Liability Insurance

OBJECTIVE:

Identify the significant features of liability in Homeowners Insurance.

EVALUATION PROCEDURE:

Completion of LAP activities according to checklist.
Completion of LAP Test with 80% accuracy.

RESOURCES:

Attached: "Liability Insurance".
Pamphlet: Insurance for the Home -- Insurance Information Institute, New York, NY
Pamphlet: A Family Guide to Property and Liability Insurance -- Insurance Information Institute, New York, NY.

PROCEDURE:

1. Read LAP -- "Liability Insurance".
2. Obtain and read pages 3-4 in Insurance for the Home, and answer the test on page 5.
3. Obtain and read Chapter 2 in A Family Guide to Property and Liability Insurance.
4. Complete all LAP activities.
5. Have instructor validate materials from checklist.
6. Complete LAP Test with 80% accuracy on "Property Insurance" and "Liability Insurance".

Principal Author(s): Christine Olson

Family Training Center, Inc.

LIABILITY INSURANCE

1. Personal Liability:

   A. This coverage protects you against lawsuits which stem from incidents involving you, members of your family, or your pets in or around your home.

   B. Some examples of the types of incidents covered include:

   ***person slipping and falling on your lot (this is whether the person has been invited as a guest, or is simply delivering a package.

   ***fire damage on neighboring property which was caused by you burning leaves in your yard.

   ***injury sustained by a shopper who was accidentally bumped by your young son at a shopping center.

   C. This coverage provides for your legal defense costs, and if you should lose the case, any damages assessed against you.

   D. The minimum coverage included with each of the forms of the homeowners policy is $25,000.

2. Medical Payments:

   A. This coverage provides you with the money to pay for medical expenses resulting from an incident caused by you, a member of your family, or your pets.

   B. Some examples of the types of incidents covered include:

   ***an aunt breaks her leg on your front step.

   ***a friend is bitten by your dog.

   C. This coverage is designed to take care of relatively small claims. The basic amount of protection provided usually runs up to only $500 per person, but larger amounts can be bought.

   D. This coverage makes payment regardless of who is at fault.

After reading the pamphlet "Insurance for the Home" -- answer the ten questions on the last page in the following space.

ACTIVITY #1
Study Guide

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

3. Supplementary Coverage:

A. This type of coverage protects you against accidental damage caused by you or someone in your family, regardless of who is at fault.

B. Damage to another's property caused by children under 13 years of age is always considered accidental even if it was intentional.

C. Maximum amount payable under this coverage usually runs up to only $250 per any one accident.

The tenants package. The tenants package is a form of the homeowners policy which is designed for those who rent. Although there are different varieties of this package, it usually includes the following coverages:

1. Broad Form. It includes the coverage provided by the Broad Form of regular homeowners policy.
2. Additional living expenses. The coverage which provides money to cover the additional living expenses caused when you cannot live in your own dwelling because of the damages caused by the perils listed in the broad form.
3. Liability coverages. It includes all of the homeowners liability coverages including personal liability, medical payments, and supplementary coverage.

Recommendations. Here are some recommendations regarding the selection of the right homeowners policy for you.

1. Beware of Pressure. Beware of pressure from your insurance salesman to select the Comprehensive Form. He will argue that the additional cost is small and that most people buy this form. Both of these arguments are true, but the additional coverage is not really worth the additional cost.
2. Select a High Deductible. The insurance company will not pay any of your $50 or $100 deductible, and then it will only pay a portion of the amount payable up to $500 or so. You might as well take a $500 deductible and lower your premium payments considerably.
3. Make an Itemized List. This applies to both renters as well as owners. Make an itemized list of all of your possessions. This is a list of all your furnishings and other items of value that could be damaged or stolen. It is a good idea to take pictures of these items; to write a description of each one; and keep the sales slips for any large or valuable items.

   This list can help you to select the right amount of insurance coverage. It can also help you to identify your property should you have to make a claim. If your house were to burn down tonight would you know exactly what was in it? You would have to in order to right up an adequate claim. This is one reason an itemized list of all of your possessions should be made and kept somewhere safe -- like in a bank safe deposit box.

ACTIVITY #2
Study Guide

1. Answer the following questions on how they would apply to you:

   a. Would you buy liability insurance with the highest possible limit?

   ____

   b. If you own a home, how much insurance do you need in order to be fully covered? Are you? ____________________________

   c. If you have rented -- have you ever insured your furnishing?

   ____

   d. Do you have an inventory of what you have? ________________

2. What is the advantage of including a large deductible in your insurance policy? What might be the disadvantages?

   ____

   ____

   ____

   ____

3. Why would you update your homeowner's insurance every two or three years?

   ____

   ____

4. What are the differences between personal liability and medical payments?

   ____

   ____

   ____

5. Why should you insure the house you are living in here at the Family Training Center? ________________________________

6. Name the three types of homeowners liability insurance that are part of most every homeowners type policy. ________________________

   ____

7. What is the tenants package and what does it usually include? _______

   ____

   ____

GLOSSARY

LIABILITY -- legally bound to pay for any loss or damage that occurs.

ASSESSED -- to set an estimated value, example a fire.

SUPPLEMENTARY -- something in addition.

DEDUCTIBLE -- this is a certain portion of your medical costs that must be paid by you before an insurance policy will begin to pay off

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		

Student: ______________________ File Code: 61.01.07.06

Date: ______________________ Date Published: 7-19-79

Family Education Program

LAP TEST: LIABILITY INSURANCE

1. The minimum liability coverage included with each of the forms of the homeowners policy is:

   a. $ 50,000
   b. $ 10,000
   c. $ 25,000
   d. $100,000

2. The supplementary coverage of a homeowners policy covers you against:

   a. intentional damage caused by a neighbor.
   b. accidental damage caused by you or someone in your family.
   c. accidental damage caused by a neighbor.
   d. intentional damage caused by you or your spouse.

3. If you were chased out of your house by a fire and had to live elsewhere, which coverage under the homeowners policy would help you pay your expenses?

   a. compensation protection.
   b. personal liability.
   c. supplementary coverage.
   d. additional living expenses.

4. If your 12 year old son intentionally breaks the windows of your neighbor's garage, you:

   a. are not covered by your homeowners policy.
   b. must pay for the windows yourself.
   c. are not liable for the damages.
   d. are covered by your homeowners policy.

5. Which form of the homeowners policy do many insurance salesmen try to pressure their customers into buying?

   a. comprehensive form.
   b. broad form.
   c. basic form.
   d. none of the above.

6. If your aunt breaks her leg on your front step, which coverage under homeowners policy would most probably be used to pay for her medical expenses?

   a. additional living expenses.
   b. bodily injury liability.
   c. personal liability.
   d. medical payments.

7. What is not covered under personal liability:

   a. your dog bites a child.
   b. you break your own window.
   c. you accidentally hit a frient with a baseball bat.
   d. person slipping and falling on your lot.

8. What is not listed as a section under the tenants package:

   a. liability coverage.
   b. broad form.
   c. supplementary coverage.
   d. additional living expenses.

9. When you select a higher deductible you:

   a. lower your premium payments.
   b. have no charge on premiums.
   c. it effects your insurance.
   d. only the comprehensive form is effected.

10. The maximum amount payable under supplementary coverage per accident is:

    a. $200
    b. $100
    c. $150
    d. $250

LAP TEST ANSWER KEY: LIABILITY INSURANCE

1. C
2. B
3. D
4. D
5. A
6. D
7. B
8. C
9. A
10. D

Student: ______________________ **File Code:** 61.01.07.05

Date: ______________________ **Date Published:** 7-19-79

Family Education Program

LAP TEST: PROPERTY INSURANCE

1. Which form of the homeowners policy provides protection against the fewest number of perils?

   a. comprehensive form.
   b. extended form.
   c. basic form.
   d. broad form.

2. If a water pipe in your house burst, which of the following forms of the homeowners policy would protect you against the water damage?

   a. basic form.
   b. broad form.
   c. extended form.
   d. none of the above.

3. If you are a farmer you are eligible for:

   a. basic form.
   b. a different form than houses.
   c. broad form.
   d. extended form.

4. What perils are you not covered for:

   a. falling objects, fire.
   b. aircraft, freezing of plumbing.
   c. earthquakes, landslides.
   d. accidental discharge, theft.

5. What is covered under the basic form of property insurance?

   a. vandalism.
   b. flood.
   c. weight of ice, snow.
   d. falling object.

6. A homeowners policy does cover which of the following:

   a. earthquake, landslide, mudflow.
   b. floods, surface water.
   c. fire and lightning.
   d. nuclear reaction, radiation.

7. What is covered under broad form of property insurance?

   a. smoke damage.
   b. weight of ice, snow, or sleet.
   c. explosion.
   d. theft.

8. Under property insurance which subsection are you not covered for:

   a. extended.
   b. comprehensive.
   c. basic.
   d. broad.

9. What is not covered under property insurance?

   a. house, garage.
   b. your lot.
   c. buildings used for commercial purposes.
   d. a farm.

10. What is the amount you should insure your house for:

   a. at least 80% of its replacement value.
   b. at least 70% of its replacement value.
   c. at least 90% of its replacement value.
   d. at least 60% of its replacement value.

LAP TEST ANSWER KEY: PROPERTY INSURANCE

1. C
2. B
3. B
4. C
5. A
6. C
7. B
8. A
9. D
10. A

Student: ____________________ **File Code:** 61.01.07.04

Date: ____________________ **Date Published:** 7-19-79

Family Education Program

LAP TEST: THE MYSTERIES OF LIFE INSURANCE POLICIES

1. When buying insurance what is an item that you should do:

   a. contact your state Insurance Commissioner's Office.
   b. not to do any research on the companies.
   c. take the first policy on insurance that comes your way.
   d. sign an insurance policy with blank spaces.

2. When answering the question -- how much life insurance will you need? -- you must consider what:

   a. your pets.
   b. how much you can afford.
   c. are you employed.
   d. the length you have been at the job.

3. What is the average funeral costs today?

   a. $4,000
   b. $2,000
   c. $1,000
   d. $5,000

4. What is included in the basic services of funerals?

   a. casket, vault.
   b. grave marker, vault.
   c. transportation, casket.
   d. preparation of the body, transportation.

5. If you want to buy a cemetery plot what should you ask first:

   a. the amount of rain received.
   b. if the cemetery participates in the Nationwide Lot Exchange Plan.
   c. upkeep of the area.
   d. none of the above.

6. What is the number of individuals that are shipped somewhere else for their funeral?

   a. 1 out of 10.
   b. 4 out of 10.
   c. 2 out of 20.
   d. 5 out of 15.

7. What is not one of the abusers of the funeral industry?

   a. embalming without permission.
   b. failing to provide prices.
   c. requiring a casket for cremation.
   d. large selection of caskets.

8. What item is out of order when purchasing life insurance.

   a. read up on life insurance.
   b. review your life insurance needs every few years.
   c. set up appointments with insurance companies.
   d. make a careful decision.

9. What are the structures which hold up the sides of the grave:

   a. the casket.
   b. the headstone.
   c. nothing.
   d. the liner.

10. The average cemetery plot runs:

    a. $180
    b. $210
    c. $150
    d. $200

LAP TEST ANSWER KEY: THE MYSTERIES OF LIFE INSURANCE POLICIES

1. A
2. B
3. B
4. D
5. B
6. A
7. D
8. B
9. D
10. C

Student: ____________________ File Code: 61.01.07.03

Date: ____________________ Date Published: 7-19-79

Family Education Program

LAP TEST: TWO BASIC TYPES OF LIFE INSURANCE

1. Which type of life insurance would buy you more protection for fewer dollars?

   a. cash value.
   b. whole life.
   c. term.
   d. beneficial.

2. Which type of life insurance would build a cash value for you somewhat like a savings account?

   a. term.
   b. whole life.
   c. low premium.
   d. beneficial.

3. The premiums for whole life insurance:

   a. remain level over time.
   b. go up over time.
   c. go down over time.
   d. very up and down over time.

4. On a whole life insurance policy, who is charged more than what it actually requires to insure their lives:

   a. the young.
   b. the middle-aged.
   c. the old.
   d. no one.

5. Between the ages of 20 and 50 while your children are still growing up and your life insurance needs are the greatest, you can buy the most insurance for your money, dollar for dollar, by buying:

   a. term insurance.
   b. whole life insurance.
   c. income protection.
   d. beneficial insurance.

6. What do insurance companies do with all of the money they take in on premiums in any given year?

   a. put it in trust funds.
   b. put it in savings accounts.
   c. invest it.
   d. spend it on operations.

7. A premium in insurance is:

   a. the amount paid for protection.
   b. a prize for buying protection.
   c. the amount of his tax assessment.
   d. an extra dividend paid the policyholder.

8. The best agent for you is one who:

   a. is well prepared.
   b. explains how policies meet your needs.
   c. is liked by you.
   d. all of these.

9. Which type of life insurance insures your life for a stated number of years?

   a. whole life.
   b. term.
   c. cash value.
   d. high premium.

10. What type of insurance will an insurance agent most probably try to pressure you into buying:

    a. term insurance.
    b. whole life insurance.
    c. low premium insurance.
    d. one year term insurance.

LAP TEST ANSWER KEY: TWO BASIC TYPES OF LIFE INSURANCE

1. B
2. B
3. A
4. B
5. C
6. C
7. A
8. D
9. B
10. B

Student: ______________________ File Code: 61.01.07.02

Date: ______________________ Date Published: 7-19-79

Family Education Program

LAP TEST: WHERE AND HOW MUCH INSURANCE?

1. An insurance deductible is the amount which:

   a. the maximum amount the insurance company will pay.
   b. the insurance company must pay before the hospital will admit you.
   c. you must pay before the policy takes over.
   d. the amount you pay the insurance company to buy your insurance.

2. Where is usually your best buy on insurance:

   a. labor union.
   b. where you work.
   c. Blue Cross and Blue Shield.
   d. an independent agent.

3. If you are limited on moeny, which health insurance should you buy?

   a. major medical expense insurance.
   b. health savings fund.
   c. basic health.
   d. comprehensive major medical.

4. A health savings fund is:

   a. to pay medical bills.
   b. to pay extreme medical bills only.
   c. where you put money in the bank for future emergencies.
   d. to pay for your deductible.

5. What should you do before getting health insurance through the mail:

   a. check the policy by reading it carefully.
   b. approach the insurance with a great deal of caution.
   c. send in any money needed to obtain the insurance.
   d. read complete article that the ad is in.

6. Which insurance would add basic health coverage to your major medical policy?

   a. health savings fund.
   b. major medical expense insurance.
   c. comprehensive major medical.
   d. dental insurance.

7. Which of the following should you be most attracted to when trying to get the best deal on buying?

   a. policies which state "guarantee continuable" except in certain instances.
   b. well-known and reputable insurance companies and agents.
   c. policies which state unusually low premiums.
   d. policies which state unusually high benefits.

8. You should beware of insurance companies which offer unusually low premiums, because this probably indicates:

   a. that their financial backing is shakey.
   b. that they reject many valid claims.
   c. that their other customers are making very high payments.
   d. that they intend to raise their premiums soon after you join.

9. Your need for heatlh insurance depends on:

   a. your age.
   b. your health at present.
   c. risks involved.
   d. deductible amount of your parent's policy.

10. When you have health insurance and receive a bill you should:

    a. pay the bill in full.
    b. ignore the bill for your insurance will cover it.
    c. take it to your insurance agent.
    d. pay half -- your insurance will pay the rest.

LAP TEST ANSWER KEY: WHERE AND HOW MUCH INSURANCE?

1. C
2. B
3. C
4. C
5. B
6. A
7. B
8. B
9. A
10. C

Student: ______________________ **File Code:** 61.01.07.01

Date: ______________________ **Date Published:** 7-18-79

Family Education Program

LAP TEST: KINDS OF HEALTH COVERAGE

1. A physician's visit to a patient's home would be paid by:

   a. hospital expense insurance.
   b. regular medical insurance.
   c. major medical insurance.
   d. basic disability insurance.

2. Major medical expense insurance is designed to take care of:

   a. costs of all medical bills.
   b. large medical bills.
   c. everyday medical bills.
   d. surgical medical bills.

3. Disability income insurance is usually worth the cost in terms of premiums:

   a. for every wage earner.
   b. only for those with small incomes.
   c. only for those with sizable incomes.
   d. for anyone who depends on his/her spouse for their income.

4. What insurances are included under the term basic health coverage?

   a. hospital expense, surgical expense, and regular medical.
   b. comprehensive major medical and disability income.
   c. hospital expense, surgical expense and regular medical.
   d. major medical and disability income.

5. If you had Medicare which of the following would it not cover:

   a. for some people under 65 who are disabled.
   b. for persons age 65 and over.
   c. helps pay for hospital care.
   d. in the care of a skilled nursing home.

6. The majority of health insurance issued by life companies comes under:

   a. individual health insurance.
   b. regular medical insurance.
   c. group health insurance.
   d. major medical expense insurance.

7. A large operation would be paid by:

   a. basic disability insurance.
   b. surgical insurance.
   c. major medical insurance.
   d. regular medical insurance.

8. Which insurance covers accidental death?

   a. major medical expense insurance.
   b. disability income insurance.
   c. regular health insurance.
   d. comprehensive major medical.

9. Which type of insurance helps to replace any income which might be lost due to sickness:

   a. comprehensive major medical.
   b. disability income insurance.
   c. major medical insurance.
   d. extended insurance.

10. A patient visit to their doctor in the hospital would be paid by:

   a. extended insurance.
   b. major medical insurance.
   c. regular medical insurance.
   d. comprehensive major medical.

LAP TEST ANSWER KEY: KINDS OF HEALTH COVERAGE

1. B
2. B
3. C
4. C
5. A
6. C
7. C
8. D
9. B
10. C

Student: ______________________ File Code: 61.01.08.00

Date: ______________________ Date Published: 8-2-79

Family Education Program

UNIT TEST: CONSUMER'S BILL OF RIGHTS

61.01.08.01

1. What is a responsibility:

   a. in charge of an item
   b. something that you owe yourself.
   c. an item that you expect from others.
   d. a moral, legal or mental accountability.

2. What does Caveat Emptor mean?

   a. watch out.
   b. buyer beware.
   c. be aware.
   d. sellers have rights.

3. What is the Right to Safety mean?

   a. to be protected from anything that is harmful.
   b. people can expect this from everyone and everything.
   c. to be protected against the marketing of goods which are hazardous to health or life.
   d. that nothing hazardous can be sold.

4. What is one step that the consumer's responsibility has in the Right to Safety?

   a. do take unnecessary chances in using or operating machinery.
   b. consider safety after purchasing or using a product.
   c. dispose of all products any way that you feel like.
   d. keep medicines, drugs, household cleaners, and other dangerous products out of reach of the children.

5. In the area of advertising which point is designed to stimulate the consumer:

   a. truthful.
   b. factual.
   c. greed.
   d. informative.

61.01.08.02

6. What is the greatest restriction?

   a. non conglomerates.
   b. business.
   c. monopolies.
   d. people.

61.01.08.02 (continued)

7. What are the fair trade laws:

   a. federal laws.
   b. they prevent sellers, offering merchandise at a lower price then established by the manufacturer.
   c. manufacturers and price competition on products.
   d. state laws.

8. MACAP stands for:

   a. Major Appliance Consumer Action Panel.
   b. Many Acts in Consumer Action Panel.
   c. Many Appliances Contract Action Panel.
   d. Major Acts in Consumer Action Plan.

9. What is the 5th step in making a complaint?

   a. contact your local Better Business Bureau.
   b. go buy a new item, and wait for refund.
   c. telephone the manufacturer.
   d. don't give up.

10. When following through on your complaint you should:

    a. include a clear statement of the problem.
    b. send in the originals of any paper work sent in.
    c. not mention any refund, if you received one.
    d. include just your name.

LAP TEST ANSWER KEY: CONSUMER'S BILL OF RIGHTS

LAP 61.01.08.01 1. D
2. B
3. C
4. D
5. C
LAP 61.01.08.02 6. C
7. B
8. A
9. D
10. A

Family
Education
Program

THE CONSUMERS BILL OF RIGHTS

Family Training Center, Inc.

File Code: 51.01.08 00

Date Published: 8/2/79

Learning Experience Guide

UNIT: CONSUMER'S BILL OF RIGHTS

RATIONALE:

The beginnings of our present "age of consumerism" date back to March of 1962 when President John F. Kennedy outlined the consumer's bill of rights to the United States Congress in his speech on behalf of American consumers.

Since that time, we have witnessed the greatest governmental, business and private concern for consumers that our Nation has ever known. We have seen more laws passed -- federal, state and local -- which benefit and protect the consumer than ever before. More consumer agencies have been created than we would have previously imagined. And we have seen consumers come to life and stand up for their rights!

PREREQUISITE:

None.

OBJECTIVE:

To identify the types, significant features and qualities involved in the Consumer Bill of Rights.

RESOURCES:

Instructor-prepared tests and worksheets.

INSTRUCTIONS:

1. Read LAPs and do activities as required.
2. Complete LAP tests with 80% accuracy.
3. If you have any problems with the material, reread sections which present the information.
4. Ask instructor for help if problem continues.
5. Completion of Unit Test with 80% accuracy.

INTRODUCTION:

Consumer Rights and Responsibilities are often talked about, but many times misunderstood. Consumers sometimes develop the attitude that they are constantly exploited in the marketplace, that it's impossible to keep from getting "ripped off". They feel that they have

Principal Author(s): Christine Olson

the "right" to fight back in unethical and illegal ways. What they fail to understand is that with every right there is some responsibility. That's what this Unit is all about -- helping you understand your consumer rights, and at the same time becoming aware of consumer responsibilities.

OVERVIEW:

In this unit you will learn the rules, to become a better player, to become a better consumer.

PERFORMANCE:

If you run into something that you're not sure about, go back and reread the information. Then, if you are still not sure, ask for help. Do not try to proceed through the LAP if you don't understand all you have covered.

EVALUATION:

1. Completion of LAP study guides.
2. Completion of LAP tests with 80% accuracy.
3. Completion of Unit Test with 80% accuracy.

COMPETENCY:

You will be able to state examples of the following:

1. The right to safety.
2. The right to be informed.
3. The right to choose.
4. The right to be heard.

ASSIGNMENT:

Read the cover page of the LAP, then proceed to the reading of the text doing the activities enclosed.

Family Education Program

File Code: 61.01.08.01

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Learning Activity Package

Student:

Date:

PERFORMANCE ACTIVITY: The Right to Safety and to be Informed

OBJECTIVE:

To identify some of the practices and protective features of your rights.

EVALUATION PROCEDURE:

Completion of LAP activities according to checklist.
Completion of LAP test with 80% accuracy.

RESOURCES:

1. Attached: "The Right to Safety and to be Informed".

PROCEDURE:

1. Read LAP section -- "The Right to Safety."
2. Read LAP section -- "The Right to be Informed."
3. Do all LAP activities.
4. Complete LAP Test with 80% accuracy.
5. Have the instructor validate material from the checklist.

Principal Author(s): Christine Olson

CONSUMER'S BILL OF RIGHTS

Much has been written about consumer rights during the last decade. This is a result of the "age of consumerism" we have been enjoying throughout the United States. More governmental and private effort to assist the consumer, inform the consumer, and protect the consumer has been made than at any other time in our history. The most important reference to Consumer Rights was made by President John F. Kennedy in his historic message to Congress on March 15, 1962. This message was devoted entirely to a "Consumer's Protection and Interest Program", and the President listed the following consumer's "Bill of Rights".

1. The Right to Safety
2. The Right to be Informed
3. The Right to Choose
4. The Right to be Heard

This unit will help you understand each of these Consumer Rights in much more detail. But before we go into that, let's consider the nature of Rights and their counterparts; responsibilities.

According to the dictionary, a Right is something to which one has a just claim and involves moral and legal propriety and approval. A Responsibility is defined as moral, legal or mental accountability. Broken down into everyday consumer language, that means that in every consumer transaction in the marketplace, we should have fair, honest, and legal behavior on the part of all parties involved. That includes the manufacturer, the seller, the government, and you -- the consumer.

But. . .we know that the marketplace doesn't always operate according to the "Golden Rule" so it becomes our responsibility to be skeptical, to be alert, to know our rights as consumers, and to conduct ourselves in the marketplace according to the old rule -- Caveat Emptor, which means buyer beware.

Now don't get the idea that the entire marketplace is "out to get you" --that it's impossible to get an honest deal. On the contrary, it's estimated that 80% to 90% of all manufacturers and merchants are basically legal and honest. Let's fact it, without the marketplace we have in the United States, there's no way we could not enjoy the life style and standard of living which we too often take for granted.

Does that sound confusing -- to say buyer beware and also say that most of the marketplaces are honest and legal? Well, that's the nature of the marketplace--it's both good and bad, and that's why smart consumers know their rights and demand their rights while fulfilling their responsibility of honest, moral, legal and intelligent consumer behavior.

The important message here--the message you must get if the rest of this unit is to mean anything to you--is this:

Consumer's Have Rights --
But they also have responsibilities.

Manufacturers Have Rights --
But they also have responsibilities.

Sellers Have Rights --
But they also have responsibilities.

A fair, honest and open marketplace depends on all parties knowing and demanding their rights while at the same time fulfilling their moral and legal responsibilities.

Consumers can do their part to improve the marketplace by fulfilling their moral and legal responsibilities. At the same time, they must be aware of, knowledgeable about, and demand their consumer rights.

ACTIVITY #1
Study Guide

Now to check your understand--fill in the blanks with the correct word(s).

1. A ____________________ is something to which one has a just claim.

2. President ______________________ delivered a consumers message to Congress in 1962.

3. It is estimated that between ________________ percent and ______________ percent of all manufacturers and merchants are essentially legal and honest.

4. The consumer's "Bill of Rights" includes:
   a. the right to _____________.
   b. the right to _____________.
   c. the right to _____________.
   d. the right to _____________.

5. Consumers need to know and demand their _____________ while at the same time fulfill their ______________ in the marketplace.

RIGHT TO SAFETY:

In March of 1962, President Kennedy, while speaking to Congress, stated that the consumer has "the right to safety -- to be protected against the marketing of goods which are hazardous to health of life." President Nixon echoed these remarks in his speech to Congress in 1969 when he said, "The buyer has the right to expect that his health and safety are taken into account by those who seek his patronage".

These quotes by two former Presidents of the United States suggest that the consumer's Right to Safety is generally recognized and accepted throughout our country. Indeed, there have been enormous efforts by the government, by private agencies, by manufacturers, and by consumers to insure this right in all areas of the marketplace. Unfortunately, it does not always exist.

The consumer's right to safety raises some questions, however.

* * *How safe does the consumer have the right to be?

* * *Does the manufacturer, in making a product, have the responsibility to protect consumers from their own mistakes?

* * *If you are a daredevil type of person who likes to take risks, should you be prevented from doing so?

* * *Should consumers who are hasty, careless or refuse to learn how to operate a product safely, be protected?

As you can plainly see, the Right to Safety in the marketplace involves cooperative responsibility on the part of the manufacturer, the government, and the consumer.

The responsibility of the manufacturer is to produce products which do not, and will not, endanger the health or life of the consumer, so long as they are used properly. Products such as automobiles, lawn mowers, kitchen knives, razor blades, power tools, over-the-counter drugs, are obviously useful, necessary and desirable. They are also safe if they are used for the purpose they were deisgned for and in the manner prescribed. But when misused, they endanger the health or life of the consumer.

There is, then responsibility for both the manufacturer and the consumer in insuring the safety of consumer products.

The governments' responsibility is guaranteeing the consumer's Right to Safety in the areas of regulation and inspection. Many federal agencies have been created to carry out this responsibility. Some of them, and their areas of responsibility, are:

Food and Drug Administration -- foods, drugs and cosmetics.
U.S. Department of Agriculture -- meats and dairy foods.
U.S. Consumer Product Safety Commission -- consumer products, toys, fabrics.
U.S. Department of Transportation -- land, sea and air vehicles.

In addition to government (federal, state, local) involvement in regulation and inspection, there are private agencies that test and inspect consumer products. Two which are very similar in their purpose and operation are Consumer's Research of Washington New Jersey, and Consumers Union of Mount Vernon, New York. Both agencies publish a monthly magazine and annual buyer's guide which report the results of their extensive testing of product safety, quality and design.

Every consumer right carries with it some consumer responsibilities. The consumer's responsibilities in his "Right to Safety" become obvious. You, the consumer, should:

**Consider safety before purchasing or using a product -- "does that toy have sharp points or edges"?

**Take all necessary steps to protect yourself and others -- "fasten those seat belts"!

**Do not take unnecessary chances in using or operating consumer products or machinery.

**Read the instructions or directions before using the product.

**Keep medicines, drugs, household cleaners, and other dangerous products out of reach of children.

**Use products as they are intended to be used -- "don't use a knife for a screwdriver".

**Dispose of potentially harmful products and containers properly.

Even with all the effort that is being made by manufacturers, government and other agencies and by consumers, the toll of injuries from consumer products is staggering. It is estimated that twenty million Americans are injured each year in home incidents connected with consumer products. Of these 110,000 are permanently disabled, and 30,000 killed!

Yes, the consumer has the Right to Safety, but it is not guaranteed. In spite of all the effort the figures above tell the real story. You, as a consumer can help eliminate much of the suffering by carrying out your responsibilities.

ACTIVITY #2
Study Guide

1. Now to see how well you remember what you have just read, answer the following true/false questions by writing True or False in the spaces provided.

   a. __________ The consumer's Right to Safety in the marketplace is the sole responsibility of the government.

   b. __________ Both President Nixon and President Roosevelt spoke to the Congress about consumer's rights.

   c. __________ Every manufacturer has the responsibility of producing products which will not endanger the health or life of consumers.

   d. __________ The United States Consumer Product Safety Commission regulates and inspects a wide range of consumer products, including toys and fabrics.

e. __________ Drugs and cosmetics are regulated for safety by the United States Department of Agriculture.

f. __________ Consumers Union publishes a monthly magazine which reports the results of extensive product testing.

g. __________ The consumers Right to Safety carries with it responsibilities for manufacturers, government, and consumers.

h. __________ It is estimated that 20,000,000 Americans are injured each year in home incidents connected with consumer products.

Complete the following statements by filling in the blank with appropriate words:

2. President Kennedy said that the consumer has "the right to safety--to be protected against the marketing of goods which are ____________ to health or life."

3. The Right to Safety in the marketplace requires cooperative responsibility by

____________________, by ____________________, and by ________________.

RIGHT TO BE INFORMED:

The consumer's Right to be Informed was also part of President Kennedy's message to Congress in 1962. At that time, he included in his speech: "the consumer has the right to be informed--to be protected against fraudulent, deceitful, or grossly misleading information, advertising, labeling and other practices and to be given the facts needed to make informed choices."

When you read that statement again, you will note that it actually contains two separate and distinct concepts. It's almost like two sides of the same coin. The consumer has (1) the right to be informed, but also has (2) the right not to be misinformed, uninformed or "lied to".

Looking at the second half of the coin, let's explore some of the areas where consumers are misinformed, uninformed, deceived by the information or lack of information made available to them. One of the most obvious is in the area of Advertising. Advertising when truthful, factual and informative can be of great help to the consumer in comparison shopping. All too often, unfortunately, it is designed to stimulate the consumer into purchasing a product or service which he does not need, and probably doesn't even want. The tricks and gimmicks used by these advertisers are quite sophisticated and play on the consumer's emotions, fantasies and greed rather than containing good, solid information.

Federal Trade Commission (FTC)

The FTC has now taken the position that an advertising claim, even when literally true, is deceptive if it falsely implies that the claim is unique to the product. Thus, a Wonder Bread claim that "it builds bodies 12 ways" was considered deceptive by the FTC not because the claim was false, but because other brands could also make the same claim and those exposed to the Wonder Bread advertisement could get the impression that the claim was unique. Claims like, "most significant breakthrough" which in the past were regarded as innocent exaggerations, are now being challenged.

It involves, providing the consumer with sufficient information for him to make wise purchase decisions. Example: True rate of interest - - - (Truth-in-Lending), the cost of food products, on a per unit basis (Unit Pricing), product ingredients, and nutritional quality.

Commercial sources of information, principally advertising and point of sale information, still provide much of the product information upon which the consumer relies.

Probably the area of confusion, misinformation, and deception which causes consumers the most grief and personal tragedy is that of credit. Although great studies have been made through governmental regulation of credit, consumers are sometimes misled and misinformed about credit through the unethical and shrewd practices of many persons in the credit business. Consumer agencies report that as many as 90% of their complaints are the result of consumers being unaware of, or minunderstanding, credit arrangements they have agreed to. These consumers also are generally unaware of the consequences they must suffer if they fail to carry out their part of the agreement (example: making payments on time).

Consumer Contracts can be a source of real trouble when insufficient or misleading information causes a person to sign an agreement which he does not fully understand. Contracts which have blank spaces, erasures, or obvious changes or additions are likely to spell trouble for the consumer unless he fully understands what he is agreeing to. Many contracts, while entirely legal are written in such a manner that they are definitely in favor of the seller, rather than the consumer. These may include leases, conditional sales contracts, bailments, and consumers need to wary of the information they contain.

A much improved area of consumer misinformation we want to explore here is that of Warranties. In the past the promise of "guaranteed for life," "satisfaction or your money back" was too many times only idle words. The future looks brighter for the consumer, however, since the Federal Government has passed new laws regulating warranties. When these regulations become effective and are in force, warranties are more likely to be "information" rather than "misinformation".

Another area is that of Labeling. Labels on food and clothing have been improved over the years to the point that consumers can generally rely on and use the information they contain. However, there are labels on sporting goods, small appliances, toys, tools, etc., which many times fail to provide the consumer with sufficient information so that he can make intelligent choices.

Still another area of consumer misinformation is in Packaging. This, too, has been greatly improved with recent legislation and regulation. But many times the consumer seems to automatically believe that the "big economy" size is cheaper in the long run than the "regular size". This is not necessarily so! The very sophisticated methods used in packaging consumer products make many packages appear to be something which they really are not.

The final area of misinformation is the spoken word of the seller, the Personal Sales Pitch. Ever since Eve talked Adam into eating the apple, we've had some people talking other people into doing things they shouldn't. Don't fall for this technique. If you have any doubts at all don't buy, think it over for a few days.

Even though all these areas of consumer misinformation exist, there is also available a vast amount of truthful, honest, useful information about consumer products and services. Therefore, to a great degree, the consumer's Right to be Informed is being adequately provided by business, industry and government. But like every consumer right, the Right to be Informed requires a great deal of responsibility.

Listed below are some of the responsibilities every consumer should fulfill if he expects to enjoy his Right to be Informed.

* *Become familiar with reliable sources of information.
* *Search for and use reliable and accurate product information for selection, use and care of products.
* *Buy only from reputable businesses that are known to stand behind their products and advertising claims.
* *Always read and follow directions for use, care, storage, and disposal of consumer products.
* *Learn to evaluate advertising.
* *Develop the habit of comparison shopping.
* *Report all cases of misinformation, deceit or fraud to the proper governmental agency.

These suggestions are indicative of the kinds of behavior consumers should exhibit to insure their Right to be Informed. But once again the right can be guaranteed only by cooperative responsibility on the part of business, industry, government and consumers. Business and industry should provide consumers with adequate instructions for the use, care, sotrage, and disposal of the merchandise. Salespersons should be trained so that they can give consumers accurate and useful information at the point of sale. Business and industry should comply fully with all of the laws and regulations concerning their products or services. In summary, all business should provide consumers with honest, informative, accurate information through advertising, labels, packaging, warranties, care and use manuals, and salespersons.

There are many Federal laws which have been enacted in an effort to guarantee the Right to be Informed for the consumer. Among the more recent and important are:

The Consumer Credit Protection Act:
Requires disclosure of finance charges in dollar amounts and true annual percentage rates, plus other credit information. Enforced by the Federal Trade Commission.

The Fair Credit Reporting Act:
Requires that consumers, when they request, be told by reporting agencies the information filed as part of his "credit rating," and allows consumers to dispute the information if it is believed to be in error. Enforced by the Federal Trade Commission.

Fair Packaging and Labeling Act:
Requires that consumer goods be labeled according to a series of requirements included in the Act. Enforced by the Federal Trade Commission (false advertising) and by the Food and Drug Administration (labeling violations).

In addition to these three Acts, recent legislation protects the consumer's Right to be Informed by requiring nutrition labeling on many food products, by eliminating "guarantees" and making warranties easily understood, and by strengthening the Federal Trade Commission's powers in regard to advertising.

In summary, it's important to remember that all rights, if they are to be enjoyed, require the fulfillment of responsibilities. The consumer's Right to be Informed requires that consumers seek out and intelligently use consumer information. That's the consumer's responsibility.

ACTIVITY #3
Study Guide

List at least five areas in the marketplace where consumers might expect to find misleading information, deceipt, or lack of information.

1. ______________________________

2. ______________________________

3. ______________________________

4. ______________________________

5. ______________________________

Now list three responsibilities which every consumer should fulfill if he expects to enjoy his Right to be Informed.

1. Consumers should: ______________________________

2. Consumers should: ______________________________

3. Consumers should: ______________________________

Show that you know the two concepts, or two "sides of the coin" involved in the Right to be Informed by completing the following:

The consumer has: a. the right to ______________________________

____

b. the right to ______________________________

or ______________________________

Consumers should carefully consider the ______________________________ of a product before purchasing it.

Consumers should carefully read the ______________________ before using a product which might be unsafe or dangerous.

List a situation where your Right to be Informed was not able to be used. Explain in some detail. (example: a grocery store)

____

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CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		
3.		

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Family Education Program

Learning Activity Package

Student: ______________________

Date: ______________________

PERFORMANCE ACTIVITY: The Right to Choose and To Be Heard

OBJECTIVE:

To identify some of the significant features of your rights.

EVALUATION PROCEDURE:

Completion of LAP activities according to checklist.
Completion of LAP Test with 80% accuracy.

RESOURCES:

1. Attached: "The Right to Choose and To Be Heard".

PROCEDURE:

1. Read LAP section -- The Right to Choose.
2. Read LAP section -- The Right to be Heard.
3. Do all the LAP activities.
4. Have the instructor validate material from the checklist.
5. Complete LAP test with 80% accuracy.

Principal Author(s): Christine Olson

RIGHT TO CHOOSE:

Once again going back to President Kennedy's speech to Congress in March of 1962 on behalf of the consumer, let's look at what he said about the consumer's Right to Choose.

> "The Right to Choose -- to be assured, whenever possible, access to a variety of products and services at competitive prices. And in those industries in which competition is not workable and government regulation is substituted, there should be assurance of satisfactory, quality and service at fair prices."

First, let's take a look at some of the practices in our economy which definitely restrict the consumer's Right to Choose. Probably the greatest restriction at the national level comes from the existence and practices of monopolies (one manufacturer who is the only producer of specific consumer goods or services, oligopolies (a few manufacturers who control the national output of a consumer product or service), and conglomerates (corporations who buy and control companies in fields unrelated to its own). These corportage giants have changed the economic scene in the United States to the point that approximately 200 of the largest manufacturers control between 2/3 and 3/4 of the country's manufacturing assets. For instance, four companies produce over 90% of the breakfast cereals sold; three companies produce over 85% of the soaps, washing powders and laundry detergents; and three automobile manufacturers produce about 75% of the cars on our highways. This concentrated industrial power greatly restricts the consumer's Right to Choose.

Another widespread restriction has been fair trade laws. These state laws have prevented sellers from offering merchandise at a price lower than a minimum established by the manufacturer. This has produced a situation where price competition has disappeared--thus restricting the consumer's Right to Choose. Fortunately, for consumers, these laws (which have been in effect in more than 30 states) are rapidly being repealed, state by state.

The major effort is toward increasing the number of competitors and toward insuring that the competitors that do exist, actually compete and do not have understandings that would not be in the long-run of best interest to the consumer.

Increasing attention is being paid to the economics role of advertising; especially its potential for increasing prices and profits and raising barriers to entry that eventually reduce the range of choice.

Certain government policies tend to restrict the consumer's choice. Although tariffs on products coming into the country from abroad and quotas for the amount of certain imported products have been established for what is considered a greater good, the action certainly restricts the variety of goods available to consumers.

There are further considerations on the consumer's Right to Choose which are on a more personal level than those discussed above. These have to do primarily with where the consumer lives, his income, and his level of education. Each of these may or may not serve to enhance or restrict the consumer's right to choice.

For instance, the consumer who lives in the inner city or the ghetto, generally has very restricted choice in terms of places to shop. He often lacks both the means and knowledge to travel from his neighborhood to other shopping outlets to enhance his "Right to Choose". He is many times at the mercy of disreputable merchants and "slick operators," who make available only merchandise of inferior quality.

Consumers who must manage on limited incomes, for whatever the reason, are obviously restricted to their Right to Choose. In areas of housing, food, clothing, transportation, education, recreation, health services, and leisure activities the range or choice is directly proportionate to the consumer's financial and personal resources.

So far we have considered only ways in which the consumer's Right to Choose is restricted or denied. Let's look on the brighter side now, and be aware of the fantastic variety of goods and services which our marketplace offers. We are indeed fortunate to have the choices open to us, for without them we could not enjoy the quality of life or standard of living which is shared by so many in this country. The marketplace is a great resource, offering many choices, but it has its pitfalls. The wise consumer will avoid most of the pitfalls, and know how to fight back if he stumbles and is "taken".

As you might have guessed, the Right to Choose, like all rights, carries with it responsibility. The responsibility here is to choose logically, appropriately, and intelligently. It's to make the wise consumer decisions; and wise consumer decisions are a result of planning ahead, and generally following the process of Comparison Shopping or Smart Shopping. That process consists of five important questions which the consumer answers before he makes a purchase or other consumer transaction in the marketplace. They are:

WHY?	Do you really need? If yes. . . . . .
WHAT?	What model, size, color, etc. Then. . . . .
WHEN?	Now, because you need it, or wait until it's on sale. . . . .
WHERE?	Shop around for quality, service, warranty, and price before you decide. . . . .
HOW?	Cash or credit. . . . .

And so, in summary, we can say that the consumer's Right to Choose --

*****is restricted by comporate policy and practice.

*****is restricted by government intervention.

*****is restricted or enhanced by personal considerations.

*****exists in general abundance.

*****requires intelligent consumer decision making.

ACTIVITY #1
Study Guide

Answer the following questions by placing True or False in the spaces provided.

__________a. An oligopoly is a few manufacturers who control the national output of a specific consumer product or service.

__________b. Approximately 5,000 manufacturers control between two-thirds and three-fourths of the country's manufacturing assets.

__________c. Three manufacturers produce over 85% of the soaps, washing powders, and laundry detergents in the United States.

__________d. Fair trade laws allow merchants to sell nationally advertised brands of merchandise at any price they choose.

__________e. Certain government policies--such as tariffs and quotas--contribute to the restriction of consumer choice.

__________f. The consumer's Right to Choose depends heavily on where he lives, his income, and his education.

__________g. Consumer choices in the marketplace are generally very broad.

__________h. The consumer's responsibility in fulfilling his Right to Choose is through following the process of comparison shopping in making consumer decisions.

RIGHT TO BE HEARD:

The final consumer right which we want to consider in their unit is the Right to be Heard. Like the previous rights, this has been taken from the consumer's bill of rights presented by President Kennedy in his speech to Congress in March of 1962.

> "The Right to be Heard--to be assured that consumer interests will receive full and sympathetic consideration in the formulation of government policy and fair and expeditious treatment in its administrative tribunals."

President Nixon expanded this right by suggesting that the consumer has "The right to register his dissatisfaction, and have his complaint heard and weighed."

To provide the consumer with spokesman within the government, the Office of Special Assistance, to the President, for Consumer Affairs, was created in 1964 by President Johnson and has been copied by many states and cities. There is a possibility that there will eventually be a cabinet level department of Consumer Affairs.

The right to be heard, further implies the existence of mechanisms through which other rights can be asserted; in particular, by insuring redress for legitimate consumer grievances. A variety of innovations, including free legal service for the poor, consumer class action suits and arbitration procedures have substantially enhanced this right.

As consumers go about their day-to-day activities in the marketplace, purchasing products and services, using credit, signing contracts, saving and investing, and all the other activities involved in consumerism, they usually are trying to get their money's worth, to get quality and to avoid being "ripped of". But regardless of how careful and intelligent a consumer may be, there's always a chance that the marketplace experience can end in a real grievance and dissatisfaction with the product or service purchased. The problem then in fully utilizing and enjoying the Right to be Heard, comes in knowing and practicing the correct process of making a complaint and getting a settlement.

Here's the way to go about it:

FIRST, before making a complaint, be sure that you have fulfilled your part of the bargain. This means to read all the instructions about care, use and storage; have on hand proof of purchase, such as a sales receipt; have ready any warranty or service contract having to do with the product or service.

SECOND, try to solve the problem locally. Telephone, write or better yet go in person to the place where the product was purchased.

THIRD, contact the manufacturer. If you can't find the address on the label or other information which came with the product, it can be found in Standard and Poor's business guide or any one of several consumer complaint guides available at your local library. Don't overlook the possibility of the company having a "hot-line" for complaints or an office of consumer affairs.

FOURTH, seek assistance from your local Better Business Bureau. The BBB has greatly expanded its services to the consumer, and many times can gain a fair settlement of the complaint. Also available are complaint panels such as MACAP (Major Appliance Consumer Action Panel) which is the "last word" in settling complaints between consumers and manufacturers involving appliances such as refrigerators, washing machines, air conditioners, etc.

At whatever level you are making the complaint, it is important that you include:

a. a description of the service or product including all serial and model numbers.
b. the date and place of the purchase.
c. your name, address and telephone number.
d. a clear statement of the problem, including the steps you have taken to solve it.
e. copies of any sales receipts, contracts, labels, warranties which have to do with the purchase. When making a written complaint, keep the originals of these papers and submit only copies.
f. a clear statement of what you want done--refund, replacement, apology, damages.

FIFTH, don't give up. Reputable manufacturers want to know if their products fail to come up to their quality standards. By complaining you are not only exercising your Right to be Heard, but you are fulfilling your responsibility as a consumer. If you don't get satisfaction, complain again. . . .and again. . . .and again if necessary.

ACTIVITY #2
Study Guide

1. Personal restrictions to consumer choice include:

    a. ______________________________
    b. ______________________________
    c. ______________________________

2. When making a consumer complaint, the first place is ______________________________

    ______________________________.

3. When making a consumer complaint in writing, five things should be included. They are:

    a. ______________________________
    b. ______________________________
    c. ______________________________
    d. ______________________________
    e. ______________________________

4. List one time that your right to choice was limited to where you actually did not have one.

    ____

    ____

    ____

5. Why is it important to have the Right to be Heard? ______________________________

    ____

    ____

CHECKLIST

Activity	Date Comp.	Instr. Init.
1.		
2.		

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Family Education Program

LAP TEST: THE RIGHT TO SAFETY AND TO BE INFORMED

1. Which President gave reference to the Consumer Rights on March 15, 1962:

    a. President Johnston
    b. President Nixon
    c. President Kennedy
    d. President Roosevelt

2. Which is not one of the "Bill of Rights"?

    a. The Right to Safety
    b. The Right to be Alert
    c. The Right to Choose
    d. The Right to be Heard

3. What is a right?

    a. something to which one has a just claim and involves moral and legal propriety and approval.
    b. something that someone owns.
    c. something to which one has a just claim.
    d. an action that is fair and honest.

4. Which is not a question raised by the consumer's right to safety?

    a. Should consumers who are hasty, carless or refuse to learn how to operate a product safely be protected?
    b. If you are a daredevil type of person who likes to take risks, should you be prevented from doing so?
    c. Should consumers have stricter laws to follow?
    d. How safe does the consumer have the right to be?

5. What area of responsibility does the U.S. Consumer Product Safety Commission cover?

    a. consumer products, toys.
    b. food and drugs.
    c. land and air vehicles.
    d. meats and dairy foods.

6. The Right to be Informed means:

    a. to be protected against false information in labeling.
    b. to be protected against fraudulent, deceitful, or grossly misleading information.
    c. to be able to make choices.
    d. to be protected against misleading advertising.

7. What is not a responsibility every consumer should fulfill if he expects to enjoy his Right to be Informed:

    a. become familiar with reliable sources of information.
    b. learn to evaluate advertising.
    c. report all cases of misinformation.
    d. buy from any company.

8. When is a consumer contract not a source of trouble?

    a. complete information.
    b. blank spaces.
    c. erasures.
    d. obvious changes.

9. Which area in the Right to be Informed has improved the most?

    a. labeling.
    b. warranties.
    c. credit.
    d. advertising.

10. The Fair Packaging and Labeling Act:

    a. requires disclosure of finance charges.
    b. dispute the information on credit rating.
    c. enforced by the Federal Trade Commission.
    d. tells the true annual percentage rates.

LAP TEST ANSWER KEY: THE RIGHT TO SAFETY AND TO BE INFORMED

1. C
2. B
3. A
4. C
5. A
6. B
7. D
8. A
9. B
10. C

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Family Education Program

LAP TEST: THE RIGHT TO CHOOSE AND TO BE HEARD

1. What is the Right to Choose?

    a. to be assured, whenever possible with access to a variety of items at competitive prices.
    b. government regulations.
    c. competition.
    d. assurance of satisfactory quality.

2. What is an oligopies?

    a. none of these.
    b. a few manufacturers who control the national output of a consumer product or service.
    c. one manufacturer who is the only producer of specific consumer goods or services.
    d. corporations who buy and control companies in fields unrelated to its own.

3. The number of corporate giants on the economic scene in the United States?

    a. 150
    b. 300
    c. 100
    d. 200

4. Which of the following is not a consideration in the consumer's Right to Choose?

    a. level of education.
    b. income.
    c. likes
    d. where he lives.

5. In the Right to Choose which is not a responsibility:

    a. logically.
    b. financial.
    c. appropriately.
    d. intelligently.

6. Which is true on the Right to Choose?

    a. does not require intelligent consumer decision making.
    b. exists in small abundance.
    c. is restricted by corporate policy and practice.
    d. has no government intervention.

7. What is the Right to be Heard?

    a. to be assured that consumer interest will receive full consideration.
    b. government policy.
    c. fair and unfair treatment.
    d. only talking to administration people.

8. When making a complaint, what is the 1st step?

    a. be sure that you have fulfilled your part of the bargain.
    b. contact the manufacturer.
    c. seek assistance from your local Better Business Bureau.
    d. try to solve the problem locally.

9. The three large automobile manufacturers produce ________% of cars on our highways.

    a. 90
    b. 75
    c. 85
    d. 60

10. In making a complaint you need to include:

    a. just your name.
    b. description of product, though no serial numbers.
    c. date and place of purchase.
    d. only a letter telling problem.

LAP TEST ANSWER KEY: THE RIGHT TO CHOOSE AND TO BE HEARD

1. A
2. B
3. D
4. C
5. B
6. C
7. A
8. D
9. B
10. C